

ABSTRACT

INTERNATIONAL AFFAIRS AND DEVELOPMENT PROGRAM

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THE ROLE OF GOVERNMENTAL "DEPARTMENT HEADS" IN THE
IMPLEMENTATION PROCESS OF PRIVATIZATION:
THE CASE OF JORDAN

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The year 1980 marks the beginning of the worldwide tilt toward privatization as an instrument for economic reform and development in many countries around the world in general, and developing countries in particular. However, in developing countries privatization has been associated with the idea of liberalization and/or denationalization in which the role of the government in the economic activities will be reduced.

Jordan is one of those countries who, in the mid-1980s, has come to consider the encouragement of the private sector to have a greater role in many aspects of the country's economy where the public sector was the dominant player. Increasing efficiency and effectiveness, and the lack of the public sector's ability to manage the wide range of growing

economic and social needs, were the primary objectives of the government's tilt toward the private sector. However, the adoption of privatization and the new policy of market reform is not an easy task in a country like Jordan, where the public sector was the only provider of the economic and social needs of the country. Therefore, implementing the new policy by those public sector officials, also referred to as administrators, department heads, and public sector managers, will be the challenge for the new policy.

This study has examined the role of those implementors, governmental department heads in Jordan, in the implementation process of privatization. The importance of their role came from the fact that they are the ones who will be responsible for implementing the policy that might be formulated without their participation. So, in order to examine their role, whether it be positive or otherwise, the study has identified the factors that generally effected the overall opinion toward privatization in order to identify and produce a list of factors that were applicable to the case of Jordan's governmental department heads and the degree of the influence of each factor on their opinion.

The importance of the role of those department heads underline the overall expectations surrounding the new policy in Jordan. The study, therefore, provides useful recommendations that could be necessary means for the policy-maker in Jordan to start with.

THE ROLE OF GOVERNMENTAL "DEPARTMENT HEADS" IN THE
IMPLEMENTATION PROCESS OF PRIVATIZATION:
THE CASE OF JORDAN

A DISSERTATION
SUBMITTED TO THE FACULTY OF CLARK ATLANTA UNIVERSITY
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BY
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INTERNATIONAL AFFAIRS AND DEVELOPMENT PROGRAM

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CHAPTER I

INTRODUCTION

The worldwide movement toward the private sector as an alternative approach for the role of the state in the economy has been motivated by the reality that state owned enterprises' performance caused inefficiency and slower economic growth in many parts of the world in general, and in the Less Developed Countries (LDCs) in particular.

Public sector performance has become viewed throughout the world as a constraint upon economic growth.¹ According to Thomas Clarke, the World Bank insisted:

It is now evident that the public sector is over-extended, given the present scarcities of financial resources, skilled manpower, and organizational capacity. This has resulted in slower growth than might have been achieved with available resources, and accounts for the present crisis.²

Actually, government, in its broader sense, has always been judged by its performance as the prime provider of public goods and services. As Sallama Shaker has put it: "Governments' choices are usually discussed in the context

¹Thomas Clarke, ed., *International Privatization: Strategies and Practices* (Berlin and New York: Walter de Gruyter and Co., 1994), xvi.

²Ibid.

of maximizing the objective function, or the welfare of the population, fair income distribution, and equity."³ In this regard, Shaker wrote:

In the 1960s and 1970s, developing countries such as Turkey, Egypt, Tunisia, and Tanzania turned to state-owned enterprises (SOEs) for reasons that were primarily pragmatic. The objective was to provide goods and services that the private sector seemed incapable of producing. However, dissatisfaction with the inefficiency and costs of SOEs has been very strong. Rather making a contribution to the struggling economies of developing countries, these enterprises have turned out to be a substantial drain.⁴

Actually, unlike the developed countries, most underdeveloped countries, the argument goes, gradually and pragmatically arrived at the idea of "nationalization" as a strategy for self-defense in response to foreign economic domination, especially in the post-colonial period.⁵ As Archie Mafeje has put it:

Anti-colonial nationalist struggles were essentially a bid for political power and liquidation of colonial domination. It was generally assumed that executive authority would terminate colonial exploitation, as is shown by the assumptions underlying the first development plans of most underdeveloped countries.⁶

³Sallama Shaker, *State, Society, and Privatization in Turkey, 1979-1990* (Washington: Woodrow Wilson Center Press, 1995), 4.

⁴Ibid.

⁵Archie Mafeje, *Science, Ideology and Development: Three Essays on Development Theory* (New York: Africana Publishing Com. of Holmes and Meier Publishers Inc., 1980), 14.

⁶Ibid.

For this reason, most underdeveloped countries turned to the state as the prime actor, both on the domestic level, and in regional and international levels, for providing and producing public goods and services and, more importantly, as the prime source of economic growth and development. This resulted in the expansion of the SOEs in most of the LDCs around the world. However, during the late 1970s and early 1980s, many countries worldwide started to realize that the development approaches of the past, based on large government, failed to achieve the desired objectives.⁷ The perception became that large government or state domination of the economy, represented by state-owned enterprises in which so much hope was placed, had failed. SOEs are seen more as budget drains than generators of new resources.⁸

Accordingly, efforts have been made in many countries around the world, especially in the LDCs, to liberalize the economy in order to provide more economic freedom to the private sector by eliminating the rules and regulations of the state in the mechanism of the country's economy.⁹ A large shift towards the private sector was witnessed around

⁷M. Peter McPherson, "The Promise of Privatization," in *Privatization and Development*, ed. Steve H. Hanke (San Francisco, Calif.: International Center for Economic Growth, ICS Press, 1992), 20.

⁸Elliot Berg, "The Role of Divestitures in Economic Growth," in Hanke, 24.

⁹Iliya Harik and Denis J. Sullivan, ed., *Privatization and Liberalization in the Middle East* (Bloomington: Indiana University Press, 1992), 1.

the world during the 1980s. Privatization took place in many countries with free-market economies in Europe, Asia, and Latin America. This trend is likely to continue throughout the 1990s in many countries in Africa and the Middle East as an alternative approach for economic growth and development.¹⁰

The massive change in attitude toward the government as the only provider and producer of public goods and services is now observed in many countries around the world, developed and underdeveloped alike. However, in most underdeveloped countries, privatization became an instrument for economic reform. Jordan was no exception here. For the government of Jordan, intervening in the working of the country's economy was not its role. In fact, government activities in the production of public goods and services were the responsibility of the government for the development and the existence of the country's economy. Since 1985, a large reform package was initiated by the government of Jordan in an effort to enhance the country's growing economic and social needs. One of these reform policies was privatization.¹¹

¹⁰Mariusz Mark Dobek, *The Political Logic of Privatization: Lessons from Great Britain and Poland* (Westport, Conn. and London: Praeger, 1993), 1.

¹¹Osama J. A. R. Abushair, *Privatization and Development* (New York: St. Martin's Press Inc., 1997), 143.

Statement of the Problem

The problem of concern in this study is the department heads' role in the success of the implementation process of the privatization policy in Jordan. The movement towards the private sector and restructuring the economy in Jordan is a fairly recent phenomenon. This movement was introduced by the government of Jordan as an attempt to enhance the country's economic well being and to reduce government inefficiency and ineffectiveness in managing the wide range of growing economic and social needs.

The movement towards the private sector becoming an active participant in Jordan's economic activities has been influenced by a number of factors. These factors were summarized by Osama J.A.R. Abushair as follows:

1. Economic Recession and Deterioration in Living Standards.
2. Growing Budgetary Deficit.
3. The Debt Crisis.¹²

For these reasons, and many others, the government of Jordan has decided to privatize some of its economic activities. Privatization of the country's Telecommunication Corporation (TCC) was the first example. Accordingly, a number of policies were made to insure the improved environment of these transactions. Among these policies was the establishment of a committee that was responsible for

¹²Ibid., 144.

insuring the implementation of the privatization policy. According to Osama, "The government established a special permanent privatization committee at the ministerial level to study the most suitable techniques for implementing the proposed privatization policies."¹³ This, in fact, reflects the importance of the role of those who are expected to implement the government's new policy which, in the end, will help the overall process of implementation of the privatization policy to succeed. As Kenneth J. Meier put it:

Implementation is a bureau's major means of effecting public policy. Program implementation or operations provide numerous opportunities for "bureaucrats" to guide the direction of public policy. Bureaucrats can become so powerful that they dominate policy implementation.¹⁴

For this reason, implementing the government's policy became very important to the success of its policy. For a country like Jordan, this issue becomes even more important, since the decision to privatize was probably made without the participation of the public bureaucrats (referred to in this study as department heads). Therefore, the involvement of policy implementors in different stages of policy making may assist in the acceptance of these policies. In fact, insuring that the policy implementors hold favorable attitudes towards privatization is essential to the role

¹³Ibid., 143.

¹⁴Kenneth J. Meier, *Politics and Bureaucracy: Policymaking in the Fourth Branch of Government* (North Scituate, Mass.: Duxbury Press, 1979), 90-105.

they are going to play in the implementation process of the privatization policy. Hence, the researchable problem of this study is the determination of the degree and method of participation of Jordan's governmental department heads in the implementation of the ongoing privatization program.

More specifically, the research question that this study seeks to determine is whether or not the study's sample (department heads) has any opinion about the privatization efforts in Jordan. If the group does hold any opinions in this regard, then this research effort will shift towards identifying the factor(s) that have influenced such opinions in order to determine their role and the degree of their participation in the implementation of the privatization policy, which, at the end, will increase the chance for the overall policy to succeed.

Purpose of the Study

The main purpose of this study is to examine the role of Jordan's governmental department heads, also referred to as administrators, government officials, or public sector managers, in the implementation process of the privatization program adopted by the government of Jordan in the mid-1980s. The importance of the role of those governmental department heads come from the fact that they are the ones who will be responsible for the implementation of the new policy that might be imposed upon them by the policymaker in

Jordan. Therefore, the role of those groups of governmental department heads will be as important as the policy of privatization itself. However, there are a number of responses that might influence the position those implementors might take toward the new policy. This will also indicate whether or not such policy will succeed. If their positions are favorable ones, then the chances of the success of the policy implementation will be increased.

The study critically examined the factors that might help motivate the positions of these department heads toward privatization. Identifying the factors which have influenced public opinions toward privatization in general, as they found in the literature, will be examined for the purpose of identifying those factors that might influence the position of those department heads toward privatization in Jordan. The main idea was to provide a list of factors concerning this matter and to identify which factor or factors contributed the most, i.e., acted more effectively in directing the positions of the sample study (governmental department heads) in Jordan. This will help to determine the role of those implementors in the implementation process of the privatization policy in Jordan.

Significance of the Study

Not much research has been conducted in the domain of policy implementation and monitoring with respect to priva-

tization of previously state-owned enterprises. In general the little work that has been done employed approaches other than the one adopted in this study. All the studies do not address the particular Jordanian experience but have tended to be of a more general form. This study is significant in its claim to address the specific role of government department heads in the privatization implementation process. In its particularly unique attempt to draw a functional link between the behavioral attitudes such as government bureaucrats and the probabilities for success or failure, this study also claims privatization policies' significance in its attempt to evince the salient factors that underlie and shape the attitudes and perceptions of government department needs towards privatization in Jordan.

For all intents and purposes, this study will guide government efforts towards adopting strategies that would motivate bureaucrats to become active players in the attempt to liberate the Jordanian economy through privatization. This study is also significant as a heuristic document for similar efforts to understand and probably predict the outcome of privatization in other developing countries.

Methodology

The study utilized a survey instrument that listed the factors found in the literature to influence attitudes toward privatization in many countries. The respondents were

asked to assign to every one of the 33 statements listed a value ranging on an ordinal scale from 1 to 5 where 1=strongly agree, 2=agree, 3=undecided, 4=strongly disagree, and 5=disagree.¹⁵ The sample population in this study consisted of all the senior members of Jordan's bureaucrats. The target population, however, consisted of only department heads in all government agencies in Jordan. Those governmental department heads were also called directors and general directors.

The sampling frame of this study were the aforementioned lists. Selected individual governmental department heads were the actual units of analysis for the study. The researcher solicited the opinions of those department heads toward the aforementioned factors in order to determine which of these factors, if any, influenced their attitudes toward privatization, as well as the extent of this influence.

The data collection took place in the middle of December, 1997. Two hundred copies of the instrument were sent out to the 200 randomly selected department heads. By the middle of January 1997, 180 completed instruments were received.

¹⁵Donald Ary, Lucy Cheser Jacobs, and Asghar Razavieh, ed., *Introduction to Research in Education* (Fort Worth, Texas: Harcourt Brace College Publication, 1990), 234-5.

Organization of the Study

The study will be divided into six chapters:

Chapter I provides an introduction to the study. In addition to the background of the study, this chapter presents the researchable problem, the purpose and the significance of the study and a brief methodology.

Chapter II provides a thorough review of the literature regarding privatization. The term privatization is first defined. Then the methods used to achieve privatization are then explored. The reasons and motives for privatization, and finally, the role of government in general will be examined.

Chapter III provides Jordan's political structure, public enterprise and the privatization progress in Jordan.

Chapter IV specifies the research methodology that would be used. This chapter would discuss the research problem, the population, the survey instrument, and the sampling procedure that will be employed.

Chapter V presents the findings of the study. The analysis criteria for the data will be described as applied to the data at hand and discusses the results of the findings which presents a list of the significant factors that have influenced the sample attitudes towards privatization.

Chapter VI concludes the study, presenting recommendations and identifying some areas for future research.

CHAPTER II
PRIVATIZATION AND ITS JUSTIFICATIONS:
REVIEW OF THE LITERATURE

Introduction

The worldwide movement towards the private sector as a key element in the efforts for economic growth and development is a fairly recent phenomenon. According to Pirie, the term privatization has made no significant appearance in political or economic literature before 1979.¹ Although the term privatization has been around for a long time, the fact remains that privatization has not been tried widely until the mid-1970s.²

However, since the late 1970s, the idea of privatization has taken place throughout the world. As George Yarrow and Pieter Jasinski have put it:

Massive transfers of ownership from the public to the private sector have been the most dramatic feature of economic policy in recent years. Privatization, in its many forms, has taken place throughout the developed, developing and post socialist worlds and seems likely to remain a

¹Madsen Pirie, *Privatization* (London: Wildwood House, 1988), 3.

²Ernst and Young, *Privatization: Investing in State-Owned Enterprises Around the World* (New York: John Wiley and Sons Inc., 1994), 9.

crucial factor in economic debate for some time to come.³

This movement toward privatization has been identified in many countries around the world, developed and underdeveloped, regardless of their ideological differences. According to Robert W. Poole, Jr.:

Privatization is today being carried out by governments of all ideological stripes. Communist Cuba has sold a portion of its telephone system, while Communist China is one of the leading practitioners of infrastructure concessions, in both electric power and toll roads.

Among the most successful large-scale privatizers have been labor governments in Australia and New Zealand and populist and social-democratic governments in Argentina and Mexico. In addition, of course, privatization has been an important factor in the growth of such Asian "tigers" as Hong Kong, Malaysia, Singapore, and Thailand.⁴

In many countries around the world, governments are downsizing and restructuring. This process of shifting assets and functions from the public sector to the private sector is "privatization."⁵

However, throughout the 1980s, privatization has been seen throughout the world in terms of both the number of transactions from the public sector to the private one and

³George Yarrow and Piote Jasinski, ed., *Privatization: Critical Perspectives on the World Economy* (London and New York: Routledge, 1997), 477.

⁴Robert W. Poole Jr., "Privatization for Economic Development," in *The Privatization Process: A Worldwide Perspective*, ed. Terry L. Anderson and Peter J. Hill (Maryland: Rowman and Littlefield Publishers Inc., 1996), 1.

⁵Ibid.

the amount of revenue. The number of privatizations worldwide rose from 62 in 1988 to 868 in 1993. Most privatizations, however, have taken place in developing countries, but the fact remains that developed countries have gained more in terms of revenue, \$175 billion, compared with \$96 billion for the developing countries through the years 1988-1993.⁶

Regarding the number of countries undergoing privatization and the massive worldwide movement toward the private sector, Ernst and Young mentioned that "privatization is the great economic transformation process of our time."⁷ According to Ernst and Young:

More than 10,000 state-owned enterprises (SOE's) in over 100 countries have been privatized, not including the literally hundreds of thousands of small shops, service businesses, and farms that have been taken over by private owners. Even the privatizers are going private....⁸

However, these worldwide movements towards privatizing the states enterprises vary from one state to another and from one region to another. They took different shapes in terms of the number and the scale of transactions and the size of those transactions. As Elliot Berg has put it:

⁶Jean-Jacques Rosa, "Public Choice Aspects of Privatization Policy: Driving Forces and Obstacles," in *Privatization at the End of the Century*, ed. Herbert Giersch (New York: Springer, 1997), 69.

⁷Ernst and Young, 3.

⁸Ibid.

The push for privatization comes in different forms in different parts of the world. In the industrial countries, it has come mainly through divestiture-through privatization of ownership and sale of equity. In the socialist and centrally planned economies, it has come--to the extent that it has come at all--in the individualization of economic activity.... In the LDC's, there is a mixture of approaches ... but in most of the less-developed world, divestiture remains a rare event.⁹

In addition, the progress and size of privatization also varied from one region to another. Regarding this matter, Ernst and Young examined the worldwide experience in privatization by analyzing the progress that privatization made in other parts of the world based upon the political and economic transformation of the former Soviet Union and Central and Eastern Europe. They provided a general idea of the geographical distribution of privatizations during the 1980s and early 1990s, in terms of medium and large enterprises which are the type of state-owned enterprises (SOEs) that might be the potential target for foreign investors. The progress that privatization has made in different parts of the world has been examined by Ernst and Young to find out the number of privatizations by region. This includes the members of the Organization for Economic Cooperation and Development (OECD), including Western Europe, North America, Japan, and Eastern Europe--except

⁹Elliot Berg, "The Role of Divestiture in Economic Growth," in *Privatization and Development*, ed. Steve H. Hanke (San Francisco, Calif.: International Center for Economic Growth, ICS Press, 1992), 24-5.

former East Germany--Latin America, Africa, Asia, and the Middle East. Among these regions, Eastern Europe, except former East Germany, and Latin America were the leading actors in the progress they made toward privatizing their SOEs, compared with the OECD, Africa, Asia, and the Middle East.¹⁰

Privatization has been considered by many countries around the world as an attempt by those countries to improve their economy. According to Berg, "Governments everywhere are searching for new ways to mobilize resources and use the resources they have more effectively, and this has fueled the shift to the private sector."¹¹

Definitions of Privatization

The word privatization has been used in different parts of the world to include a policy or number of policies which will eliminate the role of the government in the economy. It has been used in the literature, in a broader sense, to mean the liberalization of the economy in such a way as to expand the economic freedom of the private sector.¹² According to Iliya Harik, "Privatization is a policy process whereby a

¹⁰Ernst and Young, 29-41.

¹¹Berg, 24.

¹²Iliya Harik, "Privatization: The Issue, The Prospect, and the Fears," in *Privatization and Liberalization in the Middle East*, ed. Iliya Harik and Denis J. Sullivan (Bloomington: Indiana University Press, 1992), 1.

government reduces its role as an owner and manager of business enterprises in the interest of other actors such as individuals or corporations."¹³

The U.S. Agency for International Development (USAID) defines privatization as "the transfer of a function, activity, or organization from the public to the private sector," and that "...it brings together policy reform, institutional development, and utilization of the private sector."¹⁴

Drawing from this definition in a broad sense, Moses N. Kiggundu defines privatization as:

A comprehensive economic, social, and political strategy designed to increase competitive market forces and to reduce or eliminate market imperfections by reducing the role of the state and increasing that of the private sector in the ownership, control, and management of the economy's productive process.¹⁵

Privatization means more than the partnership between the public and the private sectors or the sale of SOE's to the private sector. As Ernst and Young put it: "Privatization can be defined broadly as the transfer or

¹³Ibid.

¹⁴U.S. Agency for International Development, 2 June 1986, as quoted by Moses N. Kiggundu, *Managing Organizations in Developing Countries: An Operational and Strategic Approach* (West Hartford, Conn.: Kumarian Press Inc., 1989), 270.

¹⁵Moses N. Kiggundu, *Managing Organizations in Developing Countries: An Operational and Strategic Approach* (West Hartford, Conn.: Kumarian Press Inc., 1989), 270.

sale of any asset, organization, function, or activity from the public to the private sector."¹⁶

Privatization is "the partial or total transfer of an enterprise from public to private ownership."¹⁷ Privatization also understood as "a set of policies designed to curtail the sizes and influence of the public sector by means of selling public assets."¹⁸

Privatization Methods

The most common methods of privatization that have been found in the literature are those recommended by the World Bank and the U.S. Agency for International Development (USAID). According to Thomas Clarke:

The World Bank suggested the following classification of basic methods of privatization: public offering of shares, private sale of shares, sale of government or enterprise assets, fragmentation, new private investment in state owned enterprises, management/employee but-outs, and leases and management contracts.¹⁹

Moses N. Kiggundu has suggested that for privatization to be achieved, there are four common methods which have to

¹⁶Ernst and Young, 4.

¹⁷Dieter Bos, "Arguments on Privatization" in George Yarrow and Pieter Jasinski, 45.

¹⁸Mariusz Mark Dobek, *The Political Logic of Privatization: Lessons from Great Britain and Poland* (Westport, Conn. and London: Praeger, 1993), 1.

¹⁹Thomas Clarke, ed., *International Privatization: Strategies and Practices* (Berlin and New York: Walter de Gruyter and Co., 1994), 5.

be followed: (1) complete divestiture, (2) partial divestiture, (3) contracting out, and (4) partial privatization. Kiggundu also added that "complete divestiture of SOEs is the preferred approach to privatization by the U.S. Agency for International Development (USAID)."²⁰

In addition, methods of privatization have been summarized by Ernst and Young as follow:

1. Auction: The SOEs' assets are sold to the highest bidder in open bidding.
2. Negotiated Sale: The price and terms of the transaction are agreed to in direct negotiations between the buyer and the seller.
3. Tender: Bidders submit sealed bids, which are opened at announced time, with the property generally going to the highest bidder.
4. Stock flotation: The governments' shares are offered on local or international capital markets.
5. Management/employee buyout: SOE management and/or employees buy a controlling interest in the company.
6. Stock distribution: A percentage of shares (generally in the 10-25 percent range) in the SOE are given or sold at preferential terms to employees and other special groups such as former political prisoners.
7. Voucher or coupon privatization: Eligible citizens are given or are sold coupons or vouchers at a nominal price, which can be exchanged for shares in former state-owned companies or in investment funds that control the actual company shares.
8. Joint Venture: The private investor and the SOE join forces to form a distinct legal entity,

²⁰Kiggundu, 272.

but one that preserves the distinction between public and private capital.

9. Build-own-operate-and-transfer (BOOT) agreements: Such agreements are used mainly for infrastructure projects.
10. Leasing: The private investor pays the government an agreed-upon annual fee to operate an SOE or other publicly owned facility but is entitled to keep the balance of the operating profits.
11. Management contract: The government pays a private operator an agreed-upon fee to operate an SOE or other facility.²¹

However, among all of these methods of privatization, complete divestiture of state-owned enterprises (SOEs) is the preferred approach to privatization by the U.S. Agency for International Development (USAID).²² According to Kiggundu, the USAID preferred complete divestiture of the SOEs because it:

1. Relieves the host government treasury of the recurrent cost burden of unproductive assets.
2. Ends the need for special subsidies or incentives for unproductive SOEs.
3. Reduces the role of the state in the economy and contributes to greater market allocation of resources.²³

In support of the above mentioned argument, Elliot Berg, in his analysis of "the role of divestiture in

²¹Ernst and Young, 17-18.

²²Kiggundu, 272.

²³Ibid.

economic growth," particularly in the less developed world, has stated that:

State-owned enterprises now account for 10 to 20 percent of GNP in much of the less developed world. This increase in the size of the state has become a great problem, especially for a certain group of economies for which there are not many sources of growth. Theorists and politicians claimed SOEs were the leading edge of modernization, especially in manufacturing. SOEs were to generate resources for investment and take control away from foreign interests, which were resented in much of the world. The perception now, of course, is that these SOEs in which so much hope was placed have failed. SOEs are seen more as budget drains than generators of new resources.²⁴

It was within this context that the growing tilt toward privatization as an alternative approach for economic growth and development has been witnessed in many countries around the world.

Reasons and Motives for Privatization

On a large scale shift towards the private sector during the 1980s, privatization took place in many countries around the world with free-market economies in Europe, Latin America, and Asia. However, a massive move toward privatization is likely to continue throughout the 1990s in the countries of Eastern and Central Europe and the former Soviet republics.²⁵

²⁴Berg, 24.

²⁵Ibid.

Governments around the world, especially in the Less Developed Countries (LDCs), started to realize the state-owned enterprises (SOEs) have failed to achieve the desired goal. In this regard, M. Peter McPherson wrote:

The development approaches of the past, based on large government bureaucracies and centralized, government-controlled economies, have been discredited by their failure. Privatization is forging economic success and stability. Privatization works because it focuses on the entrepreneur, encourages individual initiative, and promotes market-oriented policies. More and more developing countries are discovering that privatization produces growth for their economies and greater opportunities for a broader spectrum of their people.²⁶

However, there are several reasons behind these massive worldwide interests in privatization. As L. Grey Cowan has put it:

Worldwide interest in reducing the role of the public sector in national economies is a phenomenon of the past four to six years. The growing movement to privatize industries, services, and agencies and the changed conception of government roles are products of pragmatism: the state-owned sector is not working, and enormous subsidies to maintain money-losing enterprises and services only get bigger. The conviction is growing that private entrepreneurs can manage industries more effectively and operate services more efficiently and at lower cost to the public than can the government.²⁷

Terry L. Anderson and Peter J. Hill have argued that there are a number of reasons behind privatization, with

²⁶M. Peter Mc Pherson, "The Promise of Privatization," in Hanke, 20.

²⁷L. Grey Cowan, "A Global Overview of Privatization," in Hanke, 7.

different emphases in different countries. They broadly discern five generic reasons behind privatization as follows: Downsizing; Fiscal relief; Improved efficiency; Depoliticization; and Wider ownership.²⁸

Privatization has become an attractive toll for economic growth and development. According to Steve H. Hanke:

Privatization has finally come into the development mainstream as a result of [a] gradual but profound shift in attitudes worldwide concerning the beneficial role of the free market and the private sector.²⁹

Hanke also argued that many countries around the world have recognized the failure of state-owned enterprises to generate high rates of economic growth that are critical to development. He summarized the advantages of privatization as follows:

1. Privatization increases the quality of goals and services.
2. It reduces the government deficits by ending the costly subsidies they pay to keep inefficient parastatals afloat.
3. It creates more jobs over the long term, and opportunities for all.
4. It leads to open, competitive economies that produce higher incomes and more permanent jobs.

²⁸Terry L. Anderson and Peter J. Hill, ed., *The Privatization Process: A Worldwide Perspective* (Maryland: Rowman and Littlefield Publishers Inc., 1996), 2-4.

²⁹Hanke, 18.

5. Finally, privatization can be the right step for the developing countries for economic growth and development.³⁰

However, it should be noted that the reasons for privatization and its popularity may vary from one country to another and among different parties within the society itself. In many cases, national governments are not the only party who can force the decision to privatize. In many countries around the world, interest groups, political parties, government officials, bureaucrats, and managers of the SOEs may vary in their views toward privatization.³¹

The common argument that privatization is always justified on the basis of economic grounds has not been supported by those who studied the subject in a comprehensive manner. Political factors, in many cases, are an important actor. According to Dieter Bos, there are three major forces behind privatization. These forces are:

1. Political and Ideological Reasoning. The decision to privatize on a large scale represents a shift in the political and ideological beliefs of the society. Large scale privatization changes the distribution of power within the society. It leads to new forms of distribution of economic power between private and public economic powers. Socialist ways of thinking, for example, are replaced by capitalist ones.

³⁰Ibid.

³¹Ernst and Young, 9.

2. Economic Reasoning. Bos has argued that there are three major arguments for the economic reasons behind privatization. First is the "efficiency argument." "Privatization can be justified on the grounds that it increases the technological efficiency of operations." The second argument was the "distributional argument" in which there is a belief that privatization will increase private capital income in the economy. The third argument was the "stabilization argument."

3. The third reason behind the decision to privatize was the influence on the government budget. The direct effect on the government budget, Bos argued, was the influence by the deficits and profits of those firms which are publicly owned in whole or in part. In privatization campaigns it is often claimed that the government is no longer obliged to finance those deficits which had been accepted in nationalized enterprises as the price for achieving income redistribution or stabilization objectives. The second argument was that government revenues from privatization can be spent to finance public expenditures or to reduce the tax burden.³²

The variety of reasons behind privatization indicates that there is no single factor or a compilation of factors that can be identified as the standard made which can be followed by all countries around the world in their effort

³²Bos, 45-56.

to privatize their economy. As Ezra N. Suleiman and John Waterbury have put it:

It is clear that motivations vary among societies and that consequently, no single factor determines the sale of assets by the state. In general, however, governments may seek to restructure the public sector or to privatize for a variety of reasons. . . .³³

These reasons, in Suleiman's and Waterbury's views, are:

1. The growing size of the public sector is judged to have reached an excessive level that leads only to inefficiency.
2. Privatized companies will be better managed and better financed through the capital markets than through the state budget.
3. Privatization contributes to the development of financial markets and hence can finance new and growing enterprises. It leads to increased availability of funds for industry.
4. Privatization leads to a substantial increase in the state's revenue from the sales of equity.
5. Increase in the states' revenue can lead to the lowering of tax and to the use of the available funds for specific political purposes.
6. Privatization can promote broad-based sharing-holding in society and so be a bulwark against social disorder.
7. The state in the "new participatory capitalist system" may help to detach workers from trade unions; and a weakened trade union movement may help dampen demand, increase investment, and facilitate adjustment.³⁴

³³Ezra N. Suleiman and John Waterbury, ed., *The Political Economy of Public Sector Reform and Privatization* (Boulder, Colo. and Oxford: Westview Press Inc., 1991), 3.

³⁴*Ibid.*, 3-4.

According to Kiggundu, governments are attracted to privatization for a wide range of reasons, including:

1. Receipt of immediate cash income or foreign exchange.
2. Promise of future cash income and foreign exchange.
3. The need to settle foreign debt.
4. The desire to reduce the role of the state in management of the economy and to control budget deficits and the debt burden.
5. Encouragement of industrial development and foreign investment.
6. Development of more active and efficient capital markets.
7. Improvement of the efficient performance of economic organizations.
8. Promotion of a political philosophy of liberalization, improve human rights, and free market capitalism.
9. Achievement of more equitable distribution of income, wealth, and opportunity among the various sectors and groups.
10. Response to and quelling of international pressures.³⁵

In responding to this worldwide interest in privatization, one has to mention that the United States Agency for International Development (USAID) has taken the leading role in convincing the developing countries to view privatization as a worldwide investment for future economic growth. The effort has been made by the United States to work with the international financial community, such as the World Bank

³⁵Kiggundu, 271.

(WB) and the International Monetary Fund (IMF), the U.S. Department of Treasury, and the State Department to encourage multilateral development banks to act more decisively in private-sector lending, privatization, and divestiture.³⁶

Because of the U.S. government as the prime mover, and active support and involvement of the World Bank and other financing and international development organizations, privatization is expected to continue to play a significant role through the 1990s in international aid and development.³⁷

Regarding the United States' involvement and its support to privatization, Moses N. Kiggundu said, in part:

The U.S. government, through the U.S. Agency for International Development, has made privatization the cornerstone of its international development assistance to the developing countries. It has established a goal of "at least two privatization activities in each mission by the end of the fiscal year 1987, and two new privatization activities every year thereafter." . . . It has targeted 43 countries: 18 in Africa, 13 in Asia, and 12 in Latin America.³⁸

Despite the worldwide acceptance of privatization as an alternative approach for economic growth and development, privatization, the sale of state enterprises, and/or

³⁶McPherson, in Hanke, 19-20.

³⁷Kiggundu, 276.

³⁸Ibid., 275-6.

divestiture has made yet little progress in the LDCs compared with the industrialized countries.

Privatization and the Role of the State in the LDCs

Privatization has been used in the LDCs in a very conservative way more than that of the industrialized countries. The slow progress of privatization in the LDCs according to Berg was in part "because of the novelty of the phenomenon." However, Berg argued that there are other factors behind such differences. First, in Berg's view, the motivation for divestiture is very different in industrial countries compared with most LDCs. The second difference has to do with the availability of modalities of privatization of divestiture. In industrial countries, the question of selling stock is essentially financial: once the political decision is made, the rest can proceed smoothly. In the LDCs, this road is not as readily available, for "well-known reasons." The third factor is that the economic policy environment in the two sets of countries is very different.³⁹

In addition to these factors, the domestic factor is also a key factor. As Berg has put it, "The domestic political constituency for privatization-and especially for divestiture-is small in many LDCs." Intellectuals, in almost all of the developing world, are against it. They see it as "selling off national assets to the power brokers." The

³⁹Berg, 25-6.

military is often opposed to privatization in most of the LDCs, especially those of a single-party type of regime. Bureaucrats also oppose the idea for obvious reasons in which "they don't want to see their particular interests shrink away." More importantly, the political risks that might be associated with heading down this road are very high.⁴⁰

As Sallama has put it:

Clearly, the decision to privatize is itself a political issue because of its multidimensional impact on society and the economy. The risk involved must be calculated and sources of opposition must be identified and mitigated. One obvious challenge is related to the political risk: entrenched rent-seekers can hinder the process before potential gains are achieved. Special-interest groups are crucial factors in any regime, no matter how tightly political power is controlled.⁴¹

Accordingly, privatization may present an opportunity for special interest groups to practice their role and increase pressures on the government, especially when governments rely more in their support in any decision that might shift benefits from their own. In addition, in most less developing countries, economic reforms are more politically sensitive than other countries with free-market economy. There are more challenges to privatization in less developing countries than others. One of these challenges is to build a commitment in the society as well as in the

⁴⁰Ibid., 27.

⁴¹Sallama, 5.

bureaucratic body of the government to guarantee the implementation of government policies. According to Sallama: "Bureaucrats can derail the implementation of privatization process by discouraging potential buyers and by creating public suspicion of government's intentions."⁴²

It is fair to mention that during the 1950s and late 1960s, the role of the state in most underdeveloped countries was, in fact, influenced by the weakness in the institutional and economic reforms at the time of independence. This, in return, has influenced the size and structure of the public enterprise sector in most of LDCs.

In underdeveloped countries, the state, in response to foreign economic domination, has adopted nationalization as a tool of protection from economic exploitation. In this regards, Archie Mafeje wrote:

Apart from political liberation, the struggle for independence also implies emancipation from economic exploitation and backwardness. In dealing with the latter problem there are those countries in which the leadership has chosen basically to identify with foreign capitalist interests, while reserving the right to use its newly acquired political power to negotiate for better terms of economic interaction and distribution of surplus-value. This is what has come to be recognized as a neo-colonialist strategy for development. It is the norm in Latin America,

⁴²Ibid., 7.

with the notable exception of Cuba and, possibly, the short-lived regimes of Allende in Chile and Velasco in Peru. In Africa, there is greater differentiation and uncertainty. The same is true of the Middle East.⁴³

Accordingly, state domination as a development strategy comes from the assumption that it is the role of the state to protect the national economy. In addition to this factor, the absence of the private sector at the time of independence in most underdeveloped countries is another factor added to the growing size of public enterprises. According to Anne O. Krueger:

The contrasting views of markets and government implicit in the infant-industry nation are striking. Government officials were regarded as able to ascertain which industries would eventually be profitable and then to provide temporary incentives for their start-up. These same officials would then remove protection--presumably gradually--as the industry matured. Private entrepreneurs, by contrast, were thought to be unable to start these industries without government protection (due to externalities or other market imperfections) but to be able and willing to do so with protection.⁴⁴

Actually, as privatization has progressed in many parts of the world, during the 1980s most of the LDCs started to move slowly toward privatization having in mind that there might be a government failure to achieve economic growth and development. Attitudes have also been changed regarding the

⁴³Mafeje, 19.

⁴⁴Anne O. Krueger, *Political Economy of Policy Reform in Developing Countries* (London and Mass.: The MIT Press, 1993), 48.

performance of the state owned enterprises and their role in the economic activities.

However, in the LDCs, mostly in Africa and the Middle East, the term privatization has been used in the narrow sense of denationalization of state owned enterprises (SOEs), while it was employed in its broader meaning to liberalization of the economy in such a way as to expand the economic freedom of the private sector.⁴⁵

Finally, as one region of the LDCs, the Middle Eastern countries are gradually moving toward privatization. However, the term privatization has been associated with liberalization and/or denationalization in their both narrow and broader meanings.

It is fair to mention that, since the general thesis that the state has a dominant role to play in the economies of underdeveloped countries, "State hegemony in the national economies of the Middle East is rooted not in ideology alone but also in the nature of the economies of the region."⁴⁶

In fact, the role of the government in the economies in most of the Middle Eastern countries has always been motivated by political reasons more than any other factor. As Iliya Harik has put it: "The manner in which the state thrust itself into the economy leaves little doubt that one of the main motivating forces behind state intervention has

⁴⁵Harik and Sullivan, 1.

⁴⁶Ibid., 3.

been political." The state act to nationalize and control the press in Egypt, Algeria, Tunisia, Libya, Syria, Iraq, and many others, is totally political, and has nothing to do with the development of the economy. Although state intervention in the economy by monarchical governments like Saudi Arabia and Jordan, has been limited in comparison with those of the single-party states.⁴⁷

Actually, because of the political environment and the fear of foreign hegemony, many Middle Eastern countries preferred nationalization and increasing the role of the government in the economy over any other approach. As Said El-Naggar has put it: "To nationalize is easy, but to privatize is fraught with difficulties."⁴⁸

⁴⁷Ibid., 3-4.

⁴⁸Quoted, Iliya and Sullivan, 4.

CHAPTER III

JORDAN: GOVERNMENT, POLITICS, AND THE ECONOMY

Introduction

The establishment of the Hashemite kingdom of Jordan in its modern term goes back to the late 19th century. Jordan's political environment, both internationally and regionally was the background for the development of Arab regional politics. Jordan, as part of that region, was under the Ottoman Empire.

The disintegration of the Ottoman Empire in the late 19th century and the involvement of the western European powers, mainly Britain and France, in the Middle East played a direct role in shaping the nature of the region's political establishment. Under these conditions, the formation of Transjordan took place in 1921 under the British mandate. According to Timothy J. Piro:

The Emirate of Transjordan was established in 1921. In March of that year, the British divided the Palestine mandate along the Jordan River-Gulf of Aqaba line and named the eastern portion Transjordan. Transjordan was under the general supervision of the commissioner of Palestine, and Abdallah was installed as emir. Great Britain recognized the Emirate as a nation-state on May

15, 1923, with the approval of the league of nations.¹

Under the British mandate, the political and administrative system has been created in the emirates between the periods of 1923 to 1946. Both the political system "institution of power," especially the legislative council, and the administrative affairs were under the considerable influence of the British who represented the mandatory power in the region.

As Timothy J. Piro put it:

The period between 1921 and 1946 witnessed three major events that had a direct bearing on the formation of the state in Transjordan: the establishment of an administrative bureaucracy, the establishment of a modern army, and the integration of the Bedouin into sedentary society through land settlement--all under the tutelage of British authorities. Economically, the growth of merchant-based trade among the prominent families in Transjordan formed the core of the small private sector in the emirate.²

The territory known as Transjordan at the time, which only included the area east of the Jordan River, was carved out of the Ottoman Empire in the aftermath of World War I, in which Arabs, with the assistance of the British, had rebelled against the Turkish rule.

The Western European powers' involvement in the region, mainly Britain and France, come as a result of the aftermath

¹Timothy J. Piro, *The Political Economy of Market Reform in Jordan* (London and New York: Rowman and Littlefield Publisher Inc., 1998), 20.

²Ibid., 19.

of World War I, and the disintegration of the Ottoman Empire. British presence in the region was formalized under a League of nations mandate which also covered the territory between the Jordan River and the Mediterranean "Palestine."

The territory then known as Transjordan under the leadership of Abdallah ibn Hussein, a member of the Hashemite dynasty who had been named emir by the British in 1921, has gradually granted autonomy in which full independence came when Abdallah was proclaimed king and a new constitution was established on May 25, 1946. The current name of Jordan as the Hashemite kingdom of Jordan has been adopted in June 2, 1949, to include the territories east of the Jordan River and the West Bank--Palestine--excluding the territory occupied by Israel in 1948.³

When the British mandate ended in 1948, the Jewish state had been established in part of Palestine in 1948, and the West Bank including East Jerusalem formally became part of the Hashemite kingdom in 1950. However, in 1951, King Abdallah was assassinated in Jerusalem and the crown passed to his son, King Talal ibn Abdullah who, in August 1952 because of his illness, passed the crown to his son, King Hussein ibn Talal, then 16 years of age. King Hussein formally took power in 1953, and remained king of Jordan

³Arthur S. Banks, Alan J. Day and Thomas C. Muller, ed., *Political Handbook of the World* (Binghamton, New York: University of New York, 1997), 434-5.

until his death in 1999. Under the leadership of King Hussein, the British commander of Jordan's army had been dismissed in March 1956, and Jordan's treaty relationship with the United Kingdom was ended in March 1957.⁴

Jordan Politics

Since its independence in 1946, the Hashemite kingdom of Jordan has managed to obtain a great deal of political stability despite the turbulent region surrounding it since its establishment.

Following the assassination of King Abdallah in 1951 and the deposition of his son, King Talal, King Hussein, Talal's son, became the king of Jordan since 1952, formally on May 1953 at the age of 18. Since then, Jordan politics were totally influenced by the political environment surrounding it within the region, and within the country itself.

King Hussein's turbulent reign was remarkably influenced by the loss of all territory west of the Jordan River "Palestine" in the 1967 Arab-Israeli war, assassination and coup attempts by Arab nationalists in Jordan and abroad, and the state of war with Israel. However, the most serious period of internal tension after

⁴*The Europa World Year Book*, Vol. 1, Part 2 (London: Europa Publication Limited, 1998), 1901. Also see CIA, *The World FactBook* (Washington, D.C., 1997), 242.

the 1967 war were the relations with the Palestinian Commando (Fedayeen) which began to use Jordan as their base for operations against Israel. This ended after the civil war that broke between the Jordanian army and the Palestinian commandos in 1970 ended the military presence of the Palestine Liberation Organization (PLO) in 1971.⁵

The expulsion of the PLO led to the suspension of aid provided by Kuwait and other Arab governments, which was restored after the 1973 war with Israel. In 1947, in response to the Arab summit to recognize the PLO to be the sole legitimate spokesman for the Palestinians, King Hussein later proclaimed his right in the West Bank territory. However, in a move toward reconciliation with the Palestinian elements, King Hussein met at Cairo in March 1977 with the PLO leader Yasir Arafat, followed by a subsequent meeting in Jordan immediately after the 1978 Camp David accords. In 1979 King Hussein and Arafat met and agreed to form a joint committee to coordinate opposition to the Egyptian-Israeli peace treaty, and in December of the same year, King Hussein named a new government to include six West Bank Palestinians.⁶

Following an Arab league call for PLO governance of the West Bank in mid-1988, King Hussein ended all legal and

⁵Banks, Day and Muller, 434-5. Also see *The Europa World Year Book*, 1901-5.

⁶Ibid.

administrative links to the region, discontinued the five years (1986-1990) package for the West Bank population, and dissolved the House of Representatives.

In 1989, following the accumulative economic problems and the increase in the price of basic goods imposed by the IMF-mandate austerity program, the Prime Minister Rifa'i, was forced to resign. In the same year, 1989, following a campaign revealing continued support for the monarchy but opposing martial law and government corruption, Jordan held its first national election in 22 years. After the election, the King lifted a number of martial law restrictions and, during the first half of 1990, signalled an interest for a more inclusive political process, meeting with Palestinian and political party leaders in Jordan in an effort to grant more rights in return for undisputed acceptance of the legitimacy of the Hashemite monarchy. Accordingly, in 1992 King Hussein abolished all that remained of martial law regulation appointed after the 1967 Arab-Israeli War, and lifted the political party ban since then.⁷

In the regional and international fronts, Jordan's foreign policy has always been described by the moderate role of King Hussein and the way he conducted relations with the Arab world and the international community, especially with the West. According to Arthur S. Banks and others:

⁷*The Europa World Year Book*, 1901-3.

Historically reliant on aid from Britain and the United States, Jordan has maintained a generally pro-Western orientation in foreign policy. Its pro-Iraqi tilt during the Gulf Crisis of 1990-1991 was a notable exception, prompting the suspension of western aid and imposition of a partial blockade of the Jordanian port of Aqaba to interdict shipments headed for Iraq in violation of UN sanctions. However, relations with the west improved rather quickly thereafter, several meetings between King Hussein and US President Bill Clinton yielding preliminary agreement on external debt rescheduling and resumption of aid.⁸

In regard to Israel, PLO, and the Arab world, Jordan's regional affairs have long been dominated by the Arab-Israeli conflict. The occupation of the West Bank by Israel in 1967 and the related Palestinian refugee problem were Jordan's particular concerns, which both have given rise to policy disputes between King Hussein and the PLO chairman Arafat. However, after the peace deal between the PLO and Israel, signed in September 1993, King Hussein endorsed the PLO-Israeli agreement and, on July 25, 1994, signed an agreement with Israel ending the 46-year-old state of war between Jordan and Israel. Cooperation also included trade, tourism, banking, finance, and many others. This also increased cooperation with the United States as its support to the peace agreement by promising substantial debt relief and increased aid to Jordan in reward for its participation in the peace process.

⁸*Political Handbook of the World*, 436.

Normal relations with the Arab world, with few exceptions related to the 1970-1971 civil war in Jordan, the 1978 Egyptian-Israeli peace treaty remained until the Iraqi invasion of Kuwait on August 2, 1990. King Hussein's tilt toward Iraq in the 1990-1991 Gulf Crisis damaged its usual neutrality style, causing an angry reaction from Saudi Arabia reflected by the suspension of oil deliveries to Jordan by Saudi Arabia and froze its diplomatic relations with Jordan. Saudi Arabia and the Gulf states, including Kuwait were a major provider of Jordan's foreign aid before the Iraqi occupation of Kuwait in 1990. However, in what was perceived as a further effort to rebuild relations with Arab neighbors, who before the war had a positive relations with Jordan, King Hussein in late 1993 openly broke with Iraq and, in 1994, condemned the Iraqi buildup along the Kuwaiti border. In 1995 he gained asylum for members of Saddam Hussein's family and showed an anti-Iraq stance which, in return, assisted in the re-establishment of normal relations with all the Gulf States. By 1996 he was greeted in Saudi Arabia by King Fahd for the first time since the 1990 Iraqi invasion of Kuwait.⁹

In fact, the political life of Jordan, its internal affairs, and its role in regional and international politics were the discriminatory features of the leadership of King

⁹Ibid., 463. Also see *The Europa World Year Book*, 1905.

Hussein and the way he conducted Jordan's local, regional and international affairs. Despite all turbulent political environment surrounding it since its independence, Jordan has managed to sustain a great deal of political stability in the Middle East under the leadership of King Hussein. In this regard, Timothy J. Piro wrote:

The Hashemite kingdom of Jordan has played host to numerous coup attempts and witnessed the assassination of its first king, the replacement of its second king due to mental illness, the loss of its most fertile land in the West Bank to Israel in 1967, a civil war in 1970-1971, a boom in the economy in the 1970s, a subsequent recession in the 1980s, and the signing of a formal peace treaty with Israel in 1994. Despite all of this, it has managed to preserve the veneer of stability in the figure of King Hussein ibn Talal. . . . If one wants to understand Jordan, one must understand the king and his careful crafting of domestic and international coalitions. Consequently, the stability of the entire kingdom has been laid upon the shoulders of this one man.¹⁰

However, one might ask what would be the future of Jordan after King Hussein, having in mind the weight of ethnic mixture, the growing economic needs and dependence, and the regional instability. Actually, Jordan's strategic location and its role in the overall stability issue of the region, and the development of the new world order in the 1990s, seems to be significant factors that might add, some can argue, to the general attitudes of the international community that a change in the status quo of the situation

¹⁰Piro, 1.

in Jordan will influence the stability of the whole region which, in return will have a negative impact on the already unstable Middle East. Therefore, the continuation of King Hussein's approach through a constitutional monarchy system is more likely to be the case.

Jordan: The Country, People, Government, and the Economy

Location: Middle East, northwest of Saudi Arabia, East of Palestine/Israel, West of Iraq and South of Syria

Area: 89,213 sq km

Climate: Mostly arid desert; rainy season in the west part of the country between November and April

Natural resources: Phosphates, potash, and shale oil

People: Population: 4.3 m. (July 1997 est.)
 Population growth rate: 2.6% (1997 est.)
 Nationality: Jordanian(s)
 Ethnic groups: Arab 98%, Circassian 1%, Armenian 1%
 Religions: Sunni Muslim 92%, Christian 8%
 Languages: Arabic (official), English widely
 understood among upper and middle classes
 Literacy: age 15 and over can read and write

Government: Country name: Hashemite Kingdom of Jordan
 Government type: constitutional monarchy
 National capital: Amman
 Administrative divisions: 8 governorates
 Independence 25 May 1946 (from League of
 Nations mandate under British administration)
 National holiday: Independence Day, 25 May (1946)
 Constitution: 8 January 1952
 Legal system: based on Islamic law and French codes;
 judicial review of legislative acts in a specially
 provided High Tribunal; has not accepted compulsory
 ICJ jurisdiction
 Suffrage: 20 years of age; universal
 Executive branch: chief of state: King HUSSEIN bin
 Talal Al-Hashimi (since 2 May 1953); head of govern-
 ment: Prime Minister Abd al-Salam al-MAJALI (since
 19 March 1997); cabinet: Cabinet appointed by the
 prime minister in consultation with the king;
 elections: none; the king is a constitutional
 monarch; prime minister appointed by the king
 Legislative branch: bicameral National Assembly or
 Majlis al'Umma consists of the House of Notables or
 Majlis al-A'ayan (a 40 member body appointed by the

king from designated categories of public figures; members serve four year terms) and the House of Representatives (80 seats; members elected by popular vote on the basis of proportional representation to serve four-year terms); elections: House of Representatives-last held 8 November 1993 (next to be held NA November 1997); election result: House of Representatives-percent of vote by party-NA; seats by party-IAF 16, Jordanian National Alliance Party 4, Al-Yaqazah Party 2, Al-Watan Party 2, Al'Ahd Party 2, Jordanian Arab Democratic Party 2, Al-Mustaqbal Party 1, Jordanian Arab Socialist Ba'th Party 1, Jordanian Democratic Progressive Party 1, Jordanian People's Democratic Party-Hashd 1, Jordanian Socialist Democratic Party 1, independents 47; note: the House of Representatives has been convened and dissolved by the king several times since 1974; in November 1989 the first parliamentary elections in 22 years were held
Judicial branch: Court of Cassation
Political parties and leaders: Al-Ahrar (Liberals) Party, Al-Taqaddumi (Progressive) Party, Constitutional Jordanian Arab Front Party, Democratic Arab Islamic Movement Party-Du'a, Islamic Action Front (IAF), Jordanian Arab Socialist Ba'th Party, Jordanian Communist Party (JCP), Jordanian Democratic Popular Unity Party, Jordanian People's Democratic Party-Hashd, Jordanian Unionist Democratic Party, Pan-Arab Action Front Party Progressive Arab Ba'th Party, Al-Mastaqbal (Future) Party, Jordanian Arab Partisans Party, Jordanian Peace Party, Ansar Party, Ummah Party, Arab Land Party. Note: in 1995, the Jordanian Arab Democratic Party, the Jordanian Democratic Progressive Party, and the Jordanian Socialist Democratic Party merged to form the Jordanian Unionist Democratic Party; in May 1997 the following parties-Al'Ahd (Pledge) party, Al-Watan (Homeland) Party, Democratic Arab Unionist Party, Jordanian Arab Masses Party, Jordanian National Alliance party, Popular unity party, and the Progress and Justice party, merged to form the National Constitutional Party.

Economy

Overview: Jordan is a small Arab country with inadequate supplies of water and other natural resources such as oil and coal. Jordan benefited from increased Arab aid during the oil boom of the late 1970s and early 1980s, when its annual real GNP growth averaged more than 10%. In the remainder of the 1980s, however, reductions in both Arab aid and worker remittances slowed real economic growth to an average of roughly 2% per year. Imports-mainly oil, capital goods, consumer durables, and food-outstripped exports, with the difference covered by aid, remittances, and borrowing. In mid-1989, the Jordanian Government began debt-rescheduling

negotiations and agreed to implement an IMF-supported program designed to gradually reduce the budget deficit and implement badly needed structural reforms. The Persian Gulf crisis that began in August 1990, however, aggravated Jordan's already serious economic problems, forcing the government to shelve the IMF program, stop most debt payments, and suspect rescheduling negotiations. Aid from Gulf Arab states, worker remittances, and trade contracted; and refugees flooded the country, producing serious balance-of-payments problems, stunting GDP growth; and straining government resources. The economy rebounded in 1992, largely due to the influx of capital repatriated by workers returning from the Gulf, but the recovery was uneven in 1994-96. The government is implementing the reform program adopted in 1992 and continues to secure rescheduling and write-offs of its heavy foreign debt. Debt, poverty, and unemployment remain Jordan's biggest on-going problems

GDP: purchasing power parity-\$20.9 billion (1996 est.)
 GDP-real growth rate: 5.9% (1996 est.)
 GDP-per capita: purchasing power parity-\$5,000 (1996 est.)
 GDP-composition by sector: agriculture 6%, industry 28%, services 66% (1995)
 Inflation rate-consumer price index: 4.5% (1996 est.)
 Labor force: 600,000
 Unemployment rate: 16% (1996 est.)
 Budget: \$2.7 billion, including capital expenditures of \$630 million (1997 est.)
 Industries: phosphate mining, petroleum refining, cement, potash, light manufacturing
 Industrial production growth rate: 3.9% (1995)
 Exports: \$1.9 billion (f.o.b., 1996); commodities: phosphates, fertilizers, potash, agricultural products, manufactures; partners: India, Iraq, Saudi Arabia, EU, Indonesia, UAE
 Imports: \$4.1 billion (c.i.f., 1996); commodities: crude oil, machinery, transport equipment, food, live animals, manufactured goods; partners, EU, US, Iraq, Japan, Turkey
 Debt-external: \$7.3 billion (1995)
 Economic aid: ODA \$238 million (1993)
 Currency: 1 Jordanian dinar (JD) = 1,000 fils
 Exchange rates: Jordanian dinars (JD) per US \$1- 0.7090 (January 1997), 0.7090 (1996), 0.7005 (1995), 0.6987 (1994), 0.6928 (1993), 0.6797 (1992); note: since May 1989, the dinar has been pegged to a basket of currencies
 Fiscal year: calendar year

Source: CIA, The World Factbook (Washington, D.C.: 1997). Also see The Europa World Yearbooks, Vols. 1 and 2 (London: Europa Publication Limited, 1998).

*State-Owned Enterprises and the Role of the State:
Introduction*

In most of the developing countries, as in Jordan, there are several reasons for the establishment and growth of the public enterprise sector. According to C. H. Kirkpatrick, N. Lee and F. I. Nixon:

The growth in the public enterprise sector can be analyzed from two alternative, although not mutually exclusive, perspectives. The first approach views the establishment of public enterprises largely as the result of certain economic factors. Government ownership of the production process is seen as a non-ideological response to failures in the workings of the market mechanism. A second approach considers the public enterprise sector from a broader socio-political perspective, and sees its growth as being determined by the interplay of political and social forces within the developing countries.¹¹

Therefore, the economic factor has been used based on the traditional analysis of the economic theory that has rationalized direct government participation in productive activities in terms of imperfections in the market economy. In the socio-political level, on the other hand, states' practice took two different approaches in which one will be support and the other will be control.

In the first case, the role of public enterprises is to provide a supportive role to the private sector, by undertaking high-risk investment that provide the private

¹¹C. H. Kirkpatrick, N. Lee and F. I. Nixon, ed., *Industrial Structure and Policy in Less Developing Countries* (London: George Allen and Unwin Publishers Ltd., 1984), 156.

sector with basic industrial inputs and infrastructural requirements. In the second case, however, the state assumes a more independent role, and used control of public enterprises to pursue ends that may differ from, or be additional to, the market efficiency objective. This has been observed in most socialist economies. Public enterprises may be regarded as a necessary condition for the establishment of socialism as an end in itself.¹²

The growth and expansion of public enterprises, particularly SOEs, has been motivated by economic and non-economic reasons. Although the reasons and motives for governments to have a greater role in a particular sector or industry differ from one sector to another and from country to country based on the objectives of those SOEs. As Mehdi Haririan has put it:

Most of the objectives of SOEs are derived from public policy geared toward the achievement of some national goals and public interests. However, these goals . . . are stated in rather general terms and cannot be stated in quantifiable dimensions. . . . In other words, arguing the national interest in general form is not problematic; the real problem is the difficulty of translating the general and extremely nebulous statement into precise and quantitative figures. It is here that the main distinction between a private enterprise and an SOE becomes more apparent. In this context, the problem is further intensified by the multiple objectives of SOEs that reflect political pressures and conflicting national interests.¹³

¹²Ibid., 161.

¹³Mehdi Haririan, *State-Owned Enterprises in a Mixed Economy, Micro Versus Macro Economic Objectives* (Boulder, San Francisco and London: Westview Press, 1989), 2.

However, the role of the state, and the growth of the SOEs in Jordan, like many Middle Eastern and North African countries, were in fact influenced by the emergence of a neo-independence political system and the establishment of a nation-states after the departure of colonialism. Nation building and state formation were the first priority of the leadership in Jordan since its independence. In this regard, Timothy J. Piro wrote:

The institutionalized patterns of policymaking, government intervention, and the relationship between business and the state have the process of market reform in Jordan. A neo-patrimonial political system exists in Jordan where power is concentrated not only within the ruling political elite of the king, his Council of Ministers, and the security services, but also in the upper echelons of the civil service bureaucracy. Such a power-sharing arrangement is not due to regional traditions but to the rulers' affinity with projects of nation building and state formation.¹⁴

The presence of a small domestic market, the establishment of a central administrative entity and national market, and the weakness of the private sector, among others, were the principal factors that led to the expansion of the role of the state in Jordan. In addition, the role of the state in Jordan has been described, according to Timothy J. Piro, as "one of the most laissez-faire economies in the Middle East, where the state safeguards and nurtures the private sector." It became,

¹⁴Piro, 95.

throughout the 1970s and into the 1990s, the employers of the first and last resort, and because of a dearth of natural resources, and a small domestic market, the state was the main actor in the society that could provide the capital to initiate such large projects in the country with the non-existence of a strong private sector.¹⁵

It should be noted that the role of the state in the economy of Jordan, the growth of the public sector, and the SOEs, were not the desire of the state to be the dominant actor in the countries' economic activities on one hand, and the lack of a strong private sector to carry out some of the large investment projects in Jordan on the other hand. The truth of the matter was, in fact, that since its independence, the state of Jordan heavily depends on foreign aid from the United States, Britain, and more from the oil-producing Arab states, in addition to remittances of Jordanian workers abroad. These foreign aids and expatriate labor remittances provide most of the financial capital necessary for the growth of Jordan's economy throughout the 1970s and 1980s, although 95 percent of Jordan's official bilateral and multilateral aid went to the government to provide the capital needed for economic development. Accordingly, this has led to the expansion and buildup of more government agencies and, as a result, more manpower to

¹⁵Ibid., 95-6.

carry out plans and other governmental projects. This, in return, has increased the size of the public sector and a larger state bureaucracy in Jordan. A massive bureaucracy of multiple government ministries performing similar tasks has been established in Jordan. The number of civil service employees increased by 300 percent between 1970 and 1985 and public sector employees close to 50 percent of the manpower in the country, and was responsible for half of all capital investment.¹⁶

Most of the government expenditures that were financed by those foreign aids were to provide services and consumer products to the population more than that of increasing the productive capacity of the economy. Table 1 shows the government budgetary outlays and foreign assistance to Jordan between the years 1970 to 1996.

To examine the role of the state, Osama J. A. R. Abu Shair has suggested that there are three ways in which the role of the government can be explained. These are: government spending, government regulations, and government ownership.

¹⁶Ibid., 65-7.

TABLE 1

JORDAN BUDGETARY OUTLAYS AND FOREIGN ASSISTANCE: 1970-1996

Year	Budgetary Outlays	Foreign Assistance
1970	72800	35424
1971	91247	35386
1972	100652	44455
1973	113986	45608
1974	148940	58824
1975	212257	100609
1976	206713	66238
1977	337962	122202
1978	346884	81699
1979	468171	210302
1980	525-17	209304
1981	617123	206312
1982	655245	199582
1983	705484	197014
1984	678431	106108
1985	844800	187839
1986	905418	143707
1987	869969	127540
1988	925900	155400
1989	992600	261700
1990	1032600	164300
1991	1099600	225200
1992	1177700	137400
1993	1336699	163300
1994	1432300	175600
1995	1604800	182200
1996	1688400	191300

Source: Central Bank of Jordan, Quarterly Statistical Series: 1964-1989 (Amman: Department Research and Publications, October 1989, 44; Monthly Statistical Bulletin (Amman: Department of Research and Studies, February 1993), 42. and Monthly Statistical Bulletin (Amman: Department of Research and Studies, February 1997), 44. As cited by Timothy J. Piro, The Political Economy of Market Reform in Jordan (London, New York: Rowman and Littlefield Publishers Inc., 1998), 65.

Government Spending

According to Osama, "The government spending ratio (or public expenditure ratio) can reveal the level of the allocative role of the government, in particular when the expenditure is divided between current and capital." Government expenditure ratio during the period of 1980-1994 was 41.8 percent of GDP. This high ratio of public expenditure indicates the level of government involvement in the countries' economic activities during the years 1980 to 1994, although the increased government spending ratio in the 1980s was related to the decline in oil prices in 1986 and the growing economic recession in Jordan. Table 2 provides a statistical analysis of the government spending, both current and capital, and its share of the GDP.

An average of 67 percent of the total current government spending between 1980 and 1994 indicates that the government activities were more involved in a distributive rather than a productive basis. This, however, related to two factors: a high level of defense expenditure, and a large government wage bill. For the latter, government employees almost 50 percent of the work force in the public sector.

TABLE 2
ANALYSIS OF GOVERNMENT SPENDING

Year	Government Expenditure (MJDs)	Current Expenditure (%)	Capital Expenditure (%)	GDP (MJDs)	Government Expenditure % of GDP
1980	487.9	62.6	37.4	1151.2	40.8
1981	546.2	65.2	34.8	1426.7	38.6
1982	632.0	71.4	28.6	1638.1	39.4
1983	656.3	69.8	30.2	1765.8	37.3
1984	720.8	67.7	32.3	1891.4	38.1
1985	805.7	67.3	32.7	1940.6	41.5
1986	981.3	58.1	41.9	2114.6	46.4
1987	965.8	62.4	37.6	2162.7	44.6
1988	1054.0	63.5	36.5	2264.4	46.5
1989	1102.3	68.0	32.0	2372.1	46.4
1990	1120.1	75.1	24.9	2668.3	42.0
1991	1234.2	73.2	26.8	2855.1	43.2
1992	1348.8	68.9	31.1	2493.0	38.6
1993	1647.7	63.4	36.6	3811.4	43.2
1994	1669.1	67.0	33.0	4190.6	38.8

MJDs: million Jordanian dinars

Source: Central Bank of Jordan (CBJ), Monthly Statistical Bulletin (various issues), as cited by Osama J. A. R. Abu Shair, Privatization and Development (London and New York: St. Martin's Press Inc., 1997), 130.

Government spending in a non-productive sector in Jordan, including public services and others, is shown in the last three years of the budget from 1993 to 1996 (see Table 3).

TABLE 3

GOVERNMENT SPENDING IN A NON-PRODUCTIVE SECTOR, 1993-1996

Expenditure (JD million)	1993	1994	1995
General public services	84.8	82.5	97.8
Defense	258.6	272.0	296.0
Public order and safety	101.1	105.4	121.0
Education	201.2	205.4	227.8
Health	87.1	98.5	103.7
Social Security and Welfare	189.3	187.6	246.3
Housing and Community Amenities	16.2	24.0	26.0
Recreational, cultural and religious affairs and services	22.3	27.9	31.5
Agriculture, forestry, fishing and hunting	33.0	53.7	65.7
Transport and communications	71.3	61.4	60.9
Other purposes	131.7	147.4	141.9
Interest payment	122.0	109.4	132.7
Sub-totals	1236.4	1312.8	1471.5
Adjustment	-1.3	-	-
TOTAL	1235.1	1312.8	1471.5

Source: The Europa World Yearbook, Vol. 1, Part Two (London: Europa Publication Limited, 1998), 1908.

Government Regulations

Government rules and regulations in most developing countries are more important for the investors than that of government spending. Government used these tools to reserve the right to single out and promote certain economic activities.

Government Ownership

During the 1970s, the role of the state in the economic activities of the country were influenced by two major factors. The first was the increase in government revenues, from grants and loans abroad, which created a new and immense capacity for the government to intervene through the means of production and became an owner of major projects. The second reason was the need to build services, an infrastructure and a modern industrial base in the country. This has resulted in a direct participation of the state in Jordan, because of the availability of capital required for capital-intensive projects, which the private sector cannot afford. Additional factors are the high risk involved when the investment is some project, and the desire of the government to keep control in commanding height industries.¹⁷

¹⁷Osama, 129-40.

State-Owned Enterprises in Jordan

It is commonly known that most of the objectives of the SOEs are derived from public policy, at the time, geared toward the achievement of a set of goals that the policy-makers seek to achieve, although these objectives did not occur in a vacuum. Some of these are derived based on an ideological-political basis, like many of the socialist types of regimes, and the others are purely economic ones, like most of the free-market economies, or both, which was the case in Jordan.

In Jordan, the establishment of the SOEs, unlike the majority of the developing countries, were based on the ideological belief of the state in market-oriented policies and in the effectiveness of the free-enterprise model as a path for development. According to Osama Abu Shair, SOEs in Jordan fall under three different categories as follows.

Pure State Sector Departments

SOEs of this kind means these enterprises that are totally owned, financed, and managed by the government. This kind of public enterprise is found in almost all sectors of the countries' economy. They are parts of the ministries and staffed by civil servants. This includes all ministries and their related departments and agencies, in addition to, in part, some others like the "Civil Employees Consumption Corporation" and the "Free Zones Corporation."

Autonomous State Institutions

These institutions are parts of different government departments or similar administrative structures, in which they are owned by the government but they are legally, financially and administratively independent. However, the government always exercises administrative and financial control upon these types of enterprises. The Public Transportation Corporation, the Water Authority, Jordan Electricity Authority, the Royal Jordanian Airlines, and others, are examples of this kind of enterprise.

Mixed Enterprises

These are shareholding companies in which the government and/or its related agencies have equity participation. The government presence in this kind of enterprises measured by its representation on the board of directors in which also, linked to the share in the company's paid-up capital. There are many of those enterprises in Jordan. An example of that is the Arab Potash Company, and the Jordan Phosphate Mines Company.¹⁸ Timothy J. Piro has described those enterprises, in his study "The Political Economy of Market Reform in Jordan" as the "Big

¹⁸Ibid., 140-1.

5," and the development of their establishment as a state-owned enterprises in Jordan. These "Big 5" are:

1. The Jordan Cement Factory Company (JCFC) established in 1951.
2. Jordan Phosphate Mines Company (JPMC) incorporated in 1953.
3. The Jordan Petroleum and Refinery Company (JPRC) established in 1956.
4. Arab Potash Company (APC) established in 1956.
5. The Jordan Fertilizer Industries Company (JFIC) incorporated in 1975.

Timothy J. Piro has analyzed the SOEs, including the "Big 5," establishment in Jordan, and the role of the state in the economy based on political background, and stated that:

While the literature on state intervention has traditionally highlighted the capacity of the state to drive economic development, the case of Jordan illustrates how exogenous factors--British imperial policy, regional Arab relations, the Arab-Israeli conflict--helped contribute to the formation and consolidation of state rule, and created a tripartite alliance among public sector bureaucrats, the private sector, and Arab capital. The states' role in constructing these companies with guaranteed loans and determining who sits on these boards has made them Jordan's national industries.¹⁹

This type of enterprise in Jordan were estimated in 1985 to be about 90. On the other hand, according to the

¹⁹Piro, 37-54.

International Monetary Fund (IMF), there were 19 non-financial state-owned enterprises in Jordan (see Table 4).

TABLE 4
NON-FINANCIAL STATE-OWNED ENTERPRISES IN JORDAN

1. Aqaba Railway Corp.	10. Jordan Broadcasting and and Television
2. Civil Aviation Authority	11. Water Authority
3. Civil Employees Consumption Corp.	12. Jordan Electricity Authority
4. Free Zones Corp.	13. Jordan Hijaz Railway
5. General Transportation Corp.	14. Jordan Hotels and Tourism Corp.
6. Himmeh Hot Springs Co.	15. Parts Corp.
7. Holy Lands Hotel Corp.	16. Jordan Phosphate Mines Co. and Subsidiary: Jordan Fertilizer
8. Hotels Corp.	17. Royal Jordanian Airlines
9. Housing Corp.	18. Posts and Telecommunication
	19. Jordan Cement Co.

Source: IMF (1987, 67) as cited by Osama J. A. R. Abu Shair, Privatization and Development (London and New York: St. Martin's Press Inc., 1997), 141.

Privatization in Jordan

It was widely believed in most developing countries, as in Jordan, that governments were able to take the lead in identifying and performing economic functions. Government officials were regulated as economic planners able to ascertain the establishment of enterprises that were economically needed for development. This has resulted in an emphasis on economic planning, through government, to determine investment allocations for infrastructure, social services, agriculture, mining, and manufacturing.²⁰

²⁰Kruger, 49-51.

However, as Iliya Harik has put it, "Privatization is a policy process whereby a government reduces its role as an owner and manager of business enterprises in the interest of other actors such as individuals or corporations."²¹ Accordingly, the government of Jordan recently unfolded the process of economic reform in measures allowed to open the economy for foreign investment, partially lifting controls, and encouraging the private sector to take a major role. This has marked the beginning of privatization in Jordan.

By the mid-1980s the private sector role in the economy was very limited and dependent on government expenditures. However, the appointment of Zoyd al-Rifail as Prime Minister on April 5, 1985, remarked the beginning of economic reform designed to expand the private sector, and privatization policies were designed to adopt more free market mechanisms within the economy. The government lifted all curbs on Arab capital entering the country to encourage investment, and in 1986 presented a plan to enhance the role of the private sector in which public organizations could be transformed into shareholding companies. This was designed to expand the role of the private sector and to transfer ownership and management of public enterprises to the private sector.²²

²¹Harik, 1.

²²Piro, 81-2.

Actually, the adoption of privatization in Jordan has been associated with the growing economic problems in the country throughout the 1980s. The economic recession was responsible for lowering the standard of living and increasing the unemployment rate. The budget deficit caused weaknesses in the economy and lack of available funds for development projects. The debt crisis and shortages of foreign currency reserves caused a trade deficit. There were many other reasons behind the government's decision to sell some of its SOEs to the private sector, in addition to the growing economic recession and the pressure from the international financial institutions, mainly the World Bank and the IMF, to cut expenditures, and the lack of investment funds. All these played a significant role in the consideration of privatization proposals.²³

Since the decision to privatize has been made, and plans were designed to expand the role of the private sector and to transfer ownership and management of public enterprises to the private sector, the government of Jordan has introduced a list of some of the major SOEs to be the target for privatization in Jordan, including the "Big 5": the JCFC, the JPMC, the JPRC, the APC, the JFIC, as well as the Royal Jordanian Airlines and the Telecommunications

²³Osama, 144-150.

Corporation (TCC). All these are the type of public institutions targeted for privatization in the kingdom.²⁴

However, since the purpose of this study is to examine the role of the governmental department heads in implementing the proposed privatization policy in Jordan, it is necessary then to study the implementation part of the overall privatization program and the role of those also referred to as government officials, public sector managers, public sector bureaucrats, as well as department heads, who are going to implement the new policy. For this reason, "The government established a special permanent privatization committee at the ministerial level to study the most suitable techniques for implementing the proposed privatization policies."²⁵ In this regard, Sallama Shaker wrote:

There are macro and micro challenges of privatization. The key challenge is in building a sustainable commitment in society as well as in the bureaucratic body of government to guarantee the implementation of reform. Bureaucrats can derail the implementation of privatization process by discouraging potential buyers and by creating public suspicion of government's intentions.²⁶

Timothy J. Piro has argued that "the most salient finding for Jordan is that public sector bureaucrats retain a great deal of power in economic policy because they are trying to

²⁴Piro, 79.

²⁵Osama, 143.

²⁶Sallama, 6-7.

maintain their privileged positions." He also added that "They and the private sector would stand to lose the most if real public sector reform were implemented." Although transforming the economy from one based on imports to one based more on export promotion, public sector state managers as well as other elements have resisted moves to implement more liberal economic measures.²⁷

Generally, domestic factors, especially in developing countries including the Middle East, has always affected privatization of public enterprises because of the dominant role of the public sector in the distribution of resources, and the lack of a strong private sector. All has contributed to the slow implementation process.

As one of the developing countries, the case of Jordan is no exception. According to Osama Abu Shair, there are two sets of factors delaying the implementation of the privatization program in Jordan. One is an economic factor, and the second the non-economic factor. However, for the purpose of this study, the non-economic factor will be the area of concern. As Osama Abu Shair has put it:

Since public sector employment represents about one-half of total employment in Jordan, the implementation of privatization will be seen as a state retreat from its historical responsibility and a breach by the state of social contract agreed between its leaders and the people,

²⁷Piro, 70 and 95.

particularly in the absence of any unemployment benefits or effective social security system.²⁸

Because of the nature of government structure, and its related large size of the public sector, a large number of the working force in Jordan became totally dependent on the government as their source of income. This has resulted in the buildup of the general attitude among those people that any sale by the government to those public enterprises will mean a loss in both income and power prestige of those employees. So privatization, in Osama's views, means "a great gamble for politicians unless there is a careful policy design and a gradual mechanism for implementation."²⁹

In fact, this is the case in many developing countries where there is a risk of resistance from within to any economic reform including privatization. In this regard Moses N. Kiggundu argued that:

In many developing countries, the public sector bureaucracy (government and SOEs), which would be expected to play a leading role in the conceptualization and implementation of privatization, may be opposed to the policy perhaps out of self-preservation. Over time, these people have institutionalized resistance to change, as can be evidenced by previous policy reform efforts such as decentralization and bureaucratic reorientation.³⁰

²⁸Osama, 175.

²⁹Ibid., 176.

³⁰Kiggundu, 277.

Finally, for the above mentioned reasons and many others, privatization in Jordan has not yet proven to be a significant progress. Sales of state-owned enterprises (SOEs), including those of business oriented type, have been described by Timothy J. Piro: "This has proven exceedingly difficult and the Jordanian government has indicated that it would 'go slow' in selling off its stock in state institution even though they are inefficiently run."³¹

³¹Piro, 79.

CHAPTER IV

METHODOLOGY

To examine the role of Jordan's governmental department heads in the implementation process of privatization in Jordan and the factors that influence their overall opinions toward privatization, a research methodology deemed appropriate for this purpose to gather and analyze the data necessary to answer the question at hand. In this case, a descriptive statistical analysis approach has been used as the way of analysis in addition to the exploratory method. This will be limited to survey techniques.

Definitions

Population. The larger group of which the generalization is made is called a population. N population is defined as all members of any well-defined class of people, events, or objects.¹

Target Population. "The set of units to which investigators wish to apply their results."²

¹Donald Ary, Lucy Cheser Jacobs, and Asghar Razavieh, *Introduction to Research in Education* (Fort Worth, Texas: Harcourt Brace College Publishers, 1990), 169.

²O'Sullivan and Rassel, *Research Methods for Public Administration* (New York: Longman, 1989), 440.

Sample. The small group that is observed is called a sample. "A sample is a subset of a larger population."³

Sampling Frame. The population from which a sample is actually drawn is called a sampling frame. "A list of all the specific sets of units from which the sample is actually drawn."⁴

Research Questions

This research seeks to answer the question: Do governmental department heads, as a group, have a positive or negative role in the implementation process of privatization in Jordan by a positive role it is meant the acceptance be department needs of privatization policies and the willingness to participate in the promotion of its implementation and by a negative role, it is meant the characterized tendency to sabotage any government efforts to implement privatization policies.

This research is intended to identify those factors that might have shaped and influenced attitudes positive or negative, and defined the role of department heads towards implementing privatization policies in Jordan. These factors would be identified, listed and appropriately analyzed.

³Janet Buttolph Johnson and Richard A. Joslyn, *Political Science Research Methods* (Washington, D.C.: Congressional Quarterly Inc., 1995), 174.

⁴O'Sullivan and Rassel, 438.

Population

The population in this study in a larger sense includes all members of Jordan's public sector officials at the management level. However, the target population includes all those who are variously referred to as administrators, public sector managers, and department heads of government agencies. The latter group, the group under investigation in this study, is also referred to as "governmental department heads.

Sample

The sample which is a subject of the larger population is the small group this study observed. In this study a sample of 200 randomly selected governmental department heads were drawn from the large population under study. The sampling frame, from which the sample was actually drawn, was obtained from the Institute of Public Administration in Amman-Jordan.

A list of all department heads in the country was first obtained. Since the identified number of department heads exceeded the target number (200), a random sampling technique survey participants was chosen.

Survey Instrument Data Collection

Selected individual governmental department heads were the actual units of analysis in this study. An instrument

was provided to solicit the opinions of the sample population toward the privatization effort in general based on their responses to the information given to them in order to determine if there is a factor or a number of factors that might have a direct influence on their opinions.

The survey instrument that was provided listed all the factors found in the literature to influence the overall opinions toward privatization in general, in many countries around the world and those of Jordan in particular. Therefore, a 33-question survey was utilized (see Appendix A). These 33 questions were adapted from the literature on privatization and a similar survey by the United States Agency for International Development (USAID). The 33-question survey was measured on a 5-point Likert scale from 1 to 5, with 1=strongly agree, 2=agree, 3=undecided, 4=disagree, and 5=strongly disagree. This type of scale (Likert scale) has been used as one of the most widely and successfully used techniques to measure attitudes. It assesses attitudes toward a topic by asking respondents to indicate whether they strongly agree, agree, are undecided, disagree, or strongly disagree with each of a series of statements about the topic.⁵

The survey was carried by the researcher in a field trip to Jordan during the months of December and January

⁵Ary, Jacobs and Razavieh, 234-5.

1997-1998. A number of personal meetings were held with a number of academics from the Institute of Public Administration (IPA) in Amman-Jordan and Yarmouk University in Irbid-Jordan, as a preparation for introducing the 33-questions survey to the sample population under study. Dr. Amal Nuseir-Yarmouk University, Department of Arabic Language, reviewed the survey in order to edit it and translate it into an Arabic language as the local language of the sample population under study.

Data Collection and Analysis

During the month of December 1997, 200 copies of the instrument were sent out to the 200 randomly selected department heads. By the middle of January 1, 1998, 180 completed instruments were received.

The statistical method used to analyze the data will be frequency distribution supported by graphic forms to present the data such as histogram and/or frequency polygon. From a frequency distribution it is possible to examine the general shape of the distribution and to find out the most frequent score in the data.⁶ Thus, a survey of people's attitudes on an issue may report the number and percentage of people falling in different response categories, such as strongly agree, agree and so on.

⁶Ibid., 125.

CHAPTER V

FINDINGS AND DISCUSSION

The survey was analyzed to measure accurately people's attitudes, beliefs, and behavior as towards privatization in Jordan. This chapter more specifically reports on the results of the responses to the 33-questions-survey that were completed by 180 department heads.

Definition of Key Concepts

Value: The scale of 1-5 used in the study in which 1 = strongly agree, 2 = agree, 3 = undecided, 4 = disagree, and 5 = strongly disagree.

Frequency: The number of responses in each category.

Percent: The percentage of the number of responses in each category.

Cumulative Percent: The adding up of the percentages of the responses in the same category, such as strongly agree and agree.

Data Analysis

A frequency distribution technique was used to determine the frequency and percentages of the sample

population response to each category in the survey. The use of this technique usually involves making a list of individual measures on a scale with the highest measure at the top, the next highest second from the top, to the end which represents the lowest measures at the bottom.

In this study, a scale of 1-5 was used to determine the frequency and percentages of the sample population's response to each question in the survey, in which 1 = strongly agree, 2 = agree, 3 = undecided, 4 = disagree and 5 = strongly disagree.

To measure the frequency and its percentages for the survey, the Statistical Package for the Social Sciences (SPSS) was used to analyze the data. The results of the statistical analysis for each of the 33 survey questions are shown in the following tables (7-39) and histograms (Figures 7-33). Each bar in each figure represents an observed value. The height of the bar indicates the number of times the value was observed in the data.

Q1. In order to stir economic growth in Jordan there is a need to reduce or at least limit the growth of the public sector.

TABLE 5

NEED TO REDUCE/LIMIT GROWTH OF THE PUBLIC SECTOR

Value	Frequency	Percent	Valid Percent	Cum Percent
1	60	33.3	33.3	33.3
2	78	43.3	43.3	76.7
3	15	8.3	8.3	85.0
4	20	11.1	11.1	96.1
5	7	3.9	3.9	100.0
Total	180	100.0	100.0	

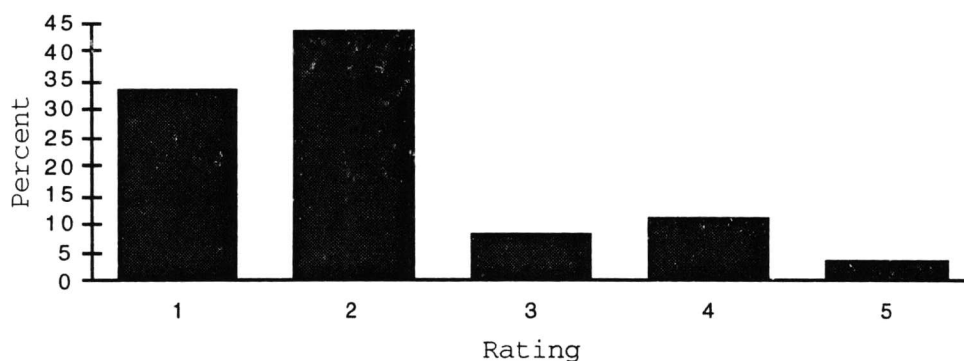


Fig. 1. Need to reduce/limit growth of public sector.

The frequency distribution was 60 for number 1, and 78 for number 2. The total frequency were 138 out of 180, the sample size. The cumulative percent of the frequency response were 33.3% for number 1 and 43.3% for number 2, a total of 76.7%. These figures indicate that a significant number of the sample population supported the idea of reducing or at least limiting the public sector.

Q2. Jordan's public holds negative perceptions of the bureaucracy.

TABLE 6

PUBLIC HOLDS NEGATIVE PERCEPTIONS OF BUREAUCRACY

Value	Frequency	Percent	Valid Percent	Cum Percent
1	64	35.6	35.6	35.6
2	95	52.8	52.8	88.3
3	18	10.0	10.0	98.3
4	3	1.7	1.7	100.0
Total	180	100.0	100.0	

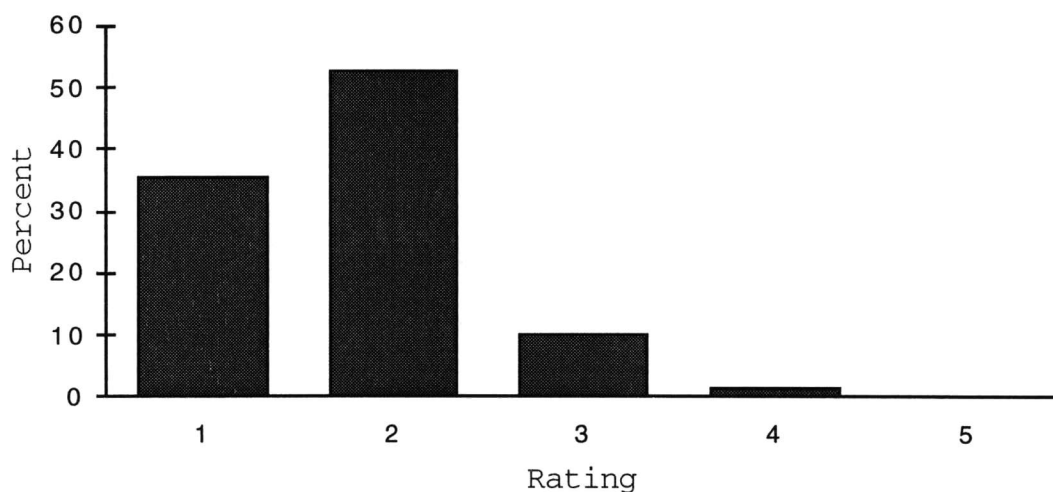


Fig. 2. Public holds negative perceptions of bureaucracy.

As Table 6 shows, the total frequency for categories 1 and 2 were $(64+95)=159$. The cumulative percent were $(35.6\%+52.8\%) = 88.3\%$. This indicates that a high percent of the sample population holds a negative perception of the bureaucracy.

Q3. Jordan's public is dissatisfied with the performance of the government's public sector.

As shown in Table 7, the total frequency of responses to this question was $(45+94)=139$ and the cumulative percent was $(25\%+52.2\%)=77.2\%$. This factor indicates that a significant number of the sample population expressed dissatisfaction with the performance of the public sector.

TABLE 7

PUBLIC DISSATISFACTION WITH PRIVATE SECTOR PERFORMANCE

Value	Frequency	Percent	Valid Percent	Cum Percent
1	45	25.0	25.0	25.0
2	94	52.2	52.2	77.2
3	19	10.6	10.6	87.8
4	22	12.2	12.2	100.0
Total	180	100.0	100.0	

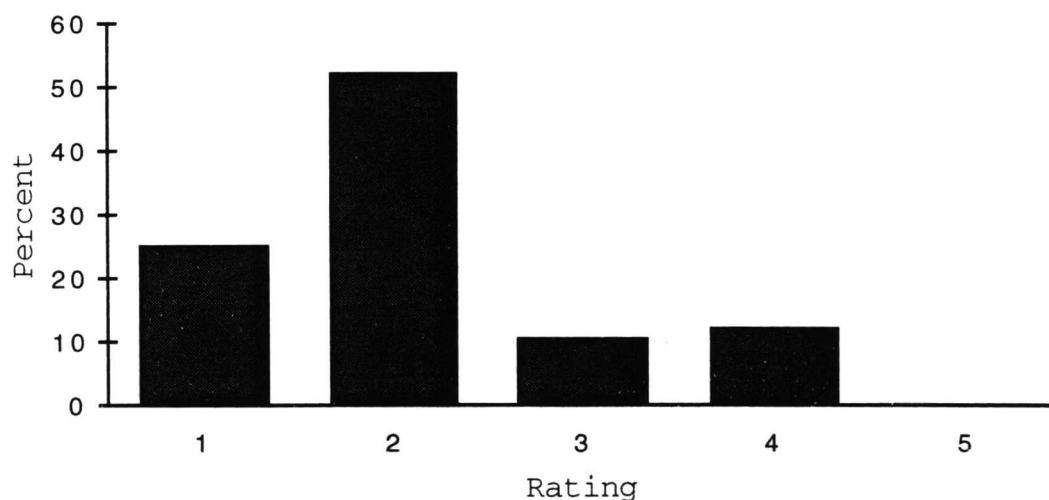


Fig. 3. Public dissatisfaction with private sector performance.

Q4. Jordan's public sector has nothing more to give to the private sector.

As shown in Table 8, the total frequency of responses to this question was $(40+85)=125$ and the cumulative percent was $22.2\%+47.2\%=69.4\%$. This response represents a less significant value than the others.

TABLE 8

PUBLIC SECTOR HAS NOTHING MORE TO GIVE PRIVATE SECTOR

Value	Frequency	Percent	Valid Percent	Cum Percent
1	40	22.2	22.2	22.2
2	85	47.2	47.2	69.4
3	38	21.1	21.1	90.6
4	14	7.8	7.8	98.3
5	3	1.7	1.7	100.0
Total	180	100.0	100.0	

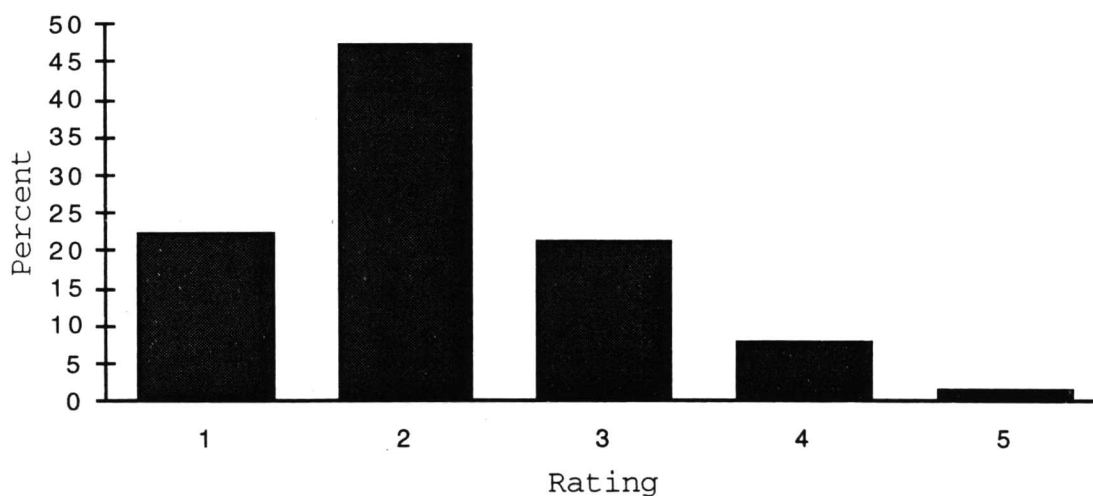


Fig. 4. Public sector has nothing more to give private sector.

Q5. In general, private companies are better managed than state owned enterprises (SOEs).

As shown in Table 9, the total frequency of responses to this question is highly significant, with $(79+87)=166$ out of 180 and a total cumulative percent of $(43.9\%+48.3\%)=92.2\%$.

TABLE 9

PRIVATE COMPANIES ARE BETTER MANAGED THAN SOEs

Value	Frequency	Percent	Valid Percent	Cum Percent
1	79	43.9	43.9	43.9
2	87	48.3	48.3	92.2
3	9	5.0	5.0	97.2
4	4	2.2	2.2	99.4
5	1	.6	.6	100.0
Total	180	100.0	100.0	

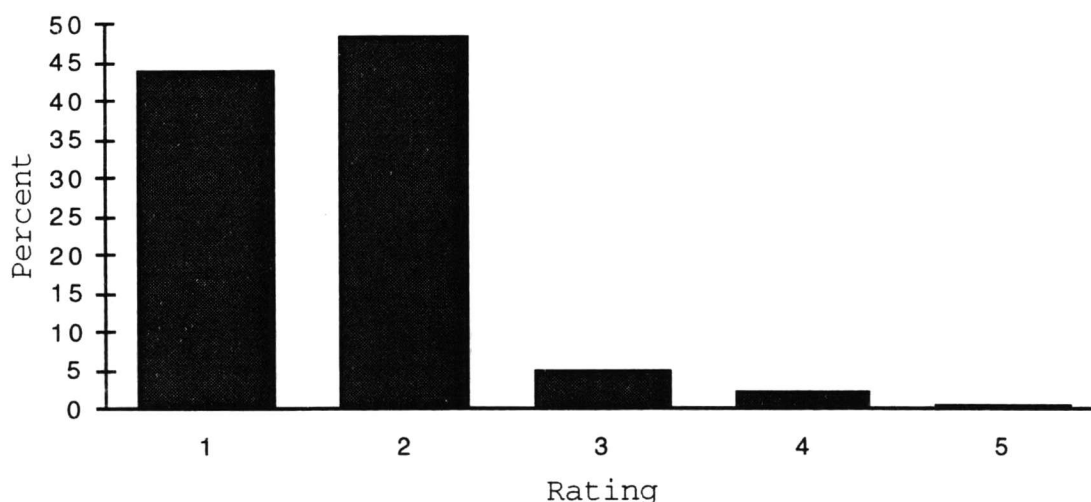


Fig. 5. Private companies are better managed than SOEs.

Q6. Decision making in the public sector is less flexible than that of the private sector.

As shown in Table 10, the total of frequency responses to this question was $(64+88)=152$. The cumulative percent was $(35.6\%+48.9\%) = 84.4\%$. This indicates that those who fall in this category are more likely to support the idea of decision making flexibility in the private sector than the public sector.

TABLE 10
DECISION MAKING IN THE PRIVATE SECTOR

Value	Frequency	Percent	Valid Percent	Cum Percent
1	64	35.6	35.6	35.6
2	88	48.9	48.9	84.4
3	20	11.1	11.1	95.6
4	6	3.3	3.3	98.9
5	2	1.1	1.1	100.0
Total	180	100.0	100.0	

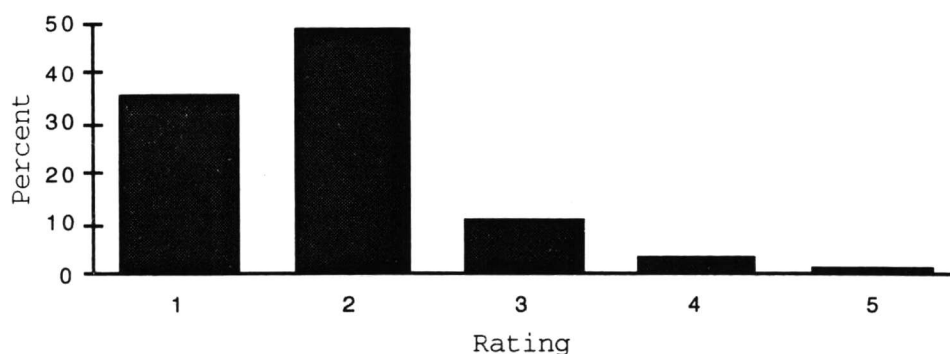


Fig. 6. Decision making in the private sector.

Q7. The private sector is better suited to make difficult decisions.

As shown in Table 11, the total frequency of responses to this question was $(54+73)=127$ and the cumulative percent was $(30\%+4.6\%) = 70.6\%$. This indicates that a significant number of the sample population responded to this question.

TABLE 11

PRIVATE SECTOR BETTER SUITED TO MAKE DIFFICULT DECISIONS

Value	Frequency	Percent	Valid Percent	Cum Percent
1	54	30.0	30.0	30.0
2	73	40.6	40.6	70.6
3	22	12.2	12.2	82.8
4	27	15.0	15.0	97.8
5	4	2.2	2.2	100.0
Total	180	100.0	100.0	

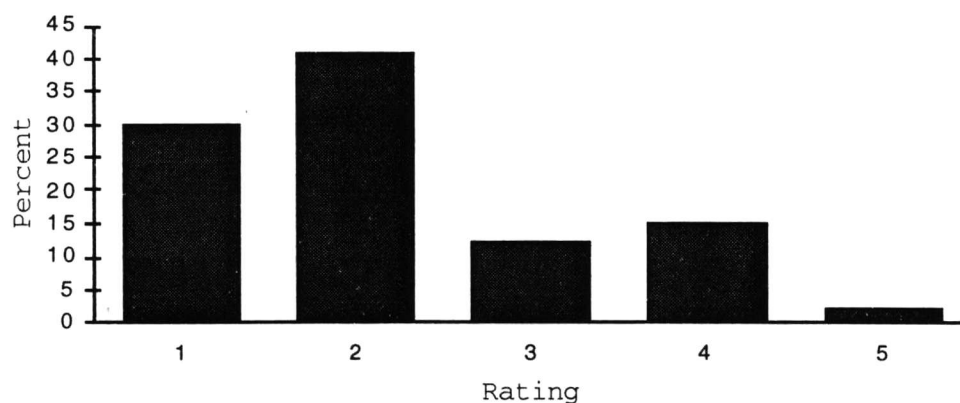


Fig. 7. Private sector better suited to make difficult decisions.

Q8. Jordan's private companies are better financed through capital markets rather through state budgets.

As shown in Table 12, the total frequency of responses to this question shows that a small number of the sample population responded positively to the idea of better financing of the private companies through the capital market than through the state's budgets. The response was $(35+49)=84$. The cumulative percent was $(19.4\%+27.2\%)=46.7\%$.

TABLE 12

PRIVATE COMPANIES BETTER FINANCED THROUGH CAPITAL MARKETS

Value	Frequency	Percent	Valid Percent	Cum Percent
1	35	19.4	19.4	19.4
2	49	27.2	27.2	46.7
3	23	12.8	12.8	59.4
4	55	30.6	30.6	90.0
5	18	10.0	10.0	100.0
Total	180	100.0	100.0	

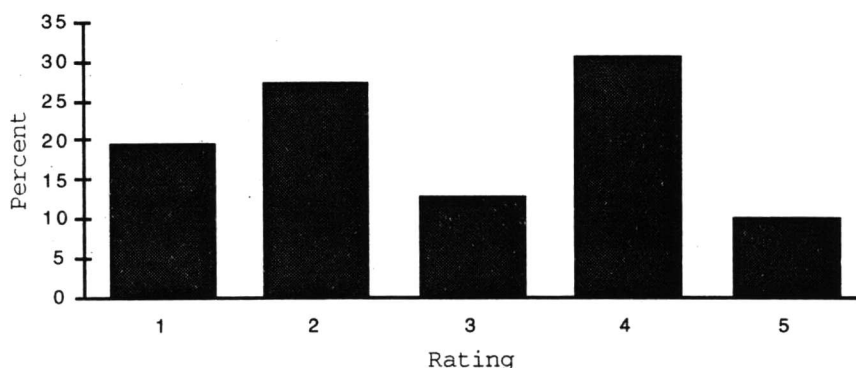


Fig. 8. Private companies better financed through capital markets.

Q9. Privatization in Jordan would increase the country's revenue.

As shown in Table 13, the frequency of responses of the sample population to the idea of more revenue to the state through privatization indicates that a small segment of the population supported that idea. The total frequency was $(47+52)=99$. The cumulative percent was $(26.1\% + 28.9\%) = 55\%$.

TABLE 13
PRIVATIZATION INCREASES THE STATE'S REVENUE

Value	Frequency	Percent	Valid Percent	Cum Percent
1	47	26.1	26.1	26.1
2	52	28.9	28.9	55.0
3	42	23.3	23.3	78.3
4	24	13.3	13.3	91.7
5	15	8.3	8.3	100.0
Total	180	100.0	100.0	

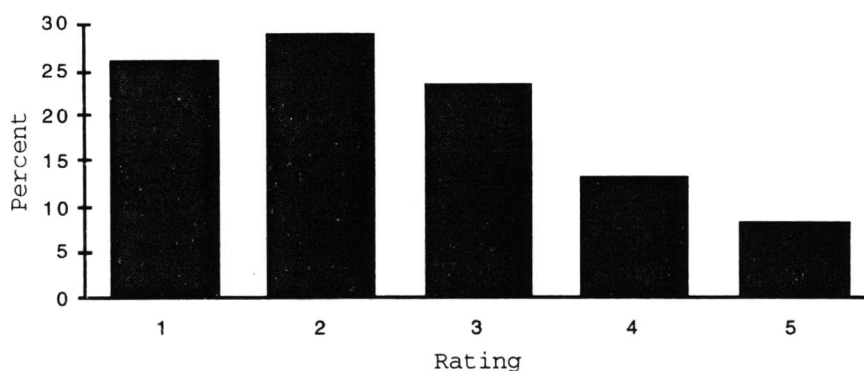


Fig. 9. Privatization increases the state's revenue

Q10. An increase in the Jordan's national revenue led to the lowering of taxes.

As shown in Table 14, the frequency of responses and its cumulative percent were $(28+52)=80$ and $(15.6\%+28.9\%)=44.4\%$. This indicates that the sample population strongly disagrees with the idea that more states revenue led to lower taxes.

TABLE 14

INCREASES IN STATE'S REVENUE LED TO LOWERING TAXES

Value	Frequency	Percent	Valid Percent	Cum Percent
1	28	15.6	15.6	15.6
2	52	28.9	28.9	44.4
3	45	25.0	25.0	69.4
4	42	23.3	23.3	92.8
5	13	7.2	7.2	100.0
Total	180	100.0	100.0	

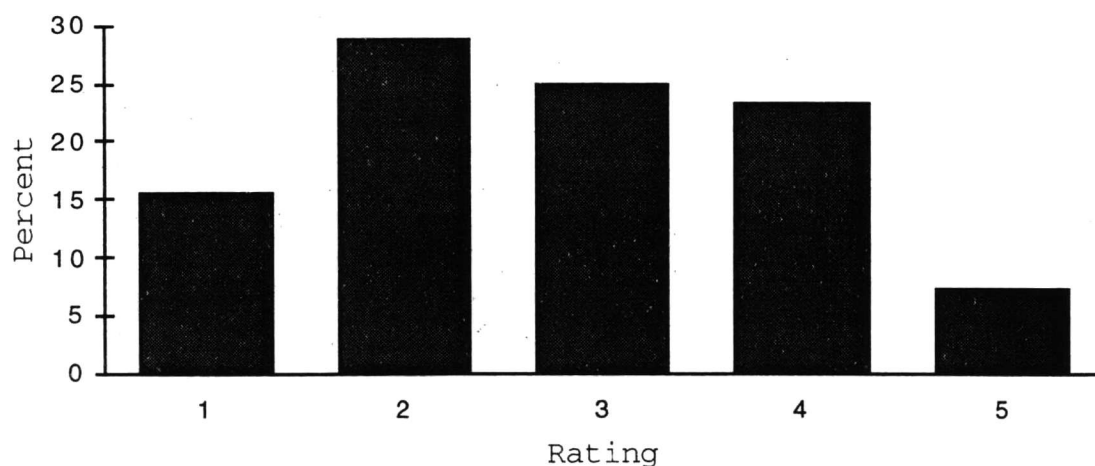


Fig. 10. Increase in Jordan's revenue led to lowering taxes.

Q11. Privatization would increase public expenditure without the need to borrow.

As shown in Table 15, the low frequency of responses to this question (39-52)=91 reflects a 50.6% cumulative percent (21.7%+28.9%)=50.6%. This indicates that one half of the sample population supported the idea and the other did not.

TABLE 15
INCREASES PUBLIC EXPENDITURE WITHOUT BORROWING

Value	Frequency	Percent	Valid Percent	Cum Percent
1	39	21.7	21.7	21.7
2	52	28.9	28.9	50.6
3	42	23.3	23.3	73.9
4	42	23.3	23.3	97.2
5	5	2.8	2.8	100.0
Total	180	100.0	100.0	

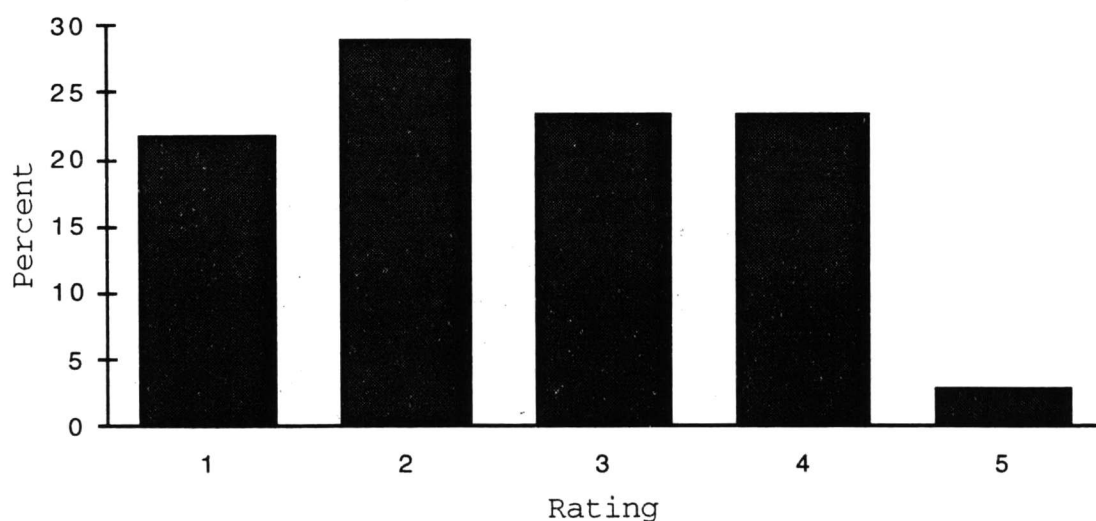


Figure 11. Increases public expenditure without borrowing.

Q12. Privatization would create more jobs in Jordan.

As shown in Table 16, the frequency of responses and the cumulative percent of responses to this question $(37+48)=85$ and $(20.6\%+26.7\%)=47.2\%$ show that the respondents strongly disagree that privatization might create more jobs.

TABLE 16
CREATES MORE JOBS

Value	Frequency	Percent	Valid Percent	Cum Percent
1	37	20.6	20.6	20.6
2	48	26.7	26.7	47.2
3	42	23.3	23.3	70.6
4	44	24.4	24.4	95.0
5	9	5.0	5.0	100.0
Total	180	100.0	100.0	

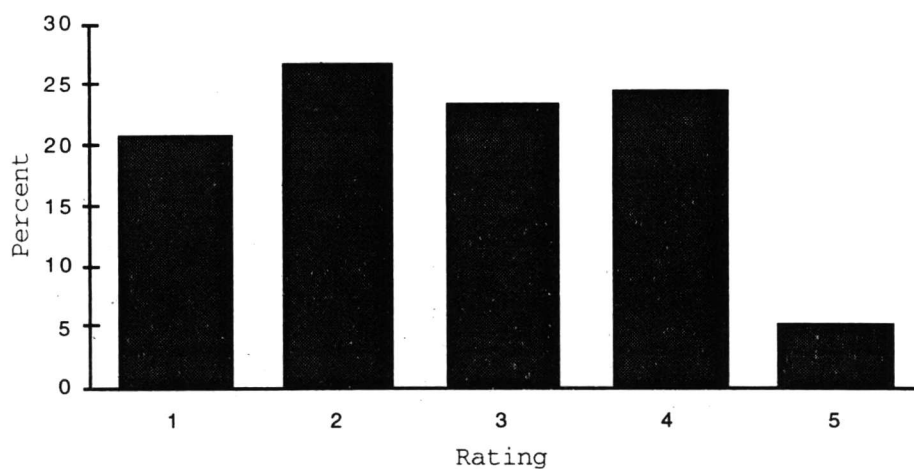


Fig. 12. Creates more jobs.

Q13. Privatization generates a better environment for investment in the country.

As shown in Table 17, the total frequency of responses to this question was $(50+65)=115$ and the cumulative percent was $(27.8\%+36.1\%)=63.9\%$. This indicates that people strongly agree with the suggestion.

TABLE 17
CREATES A BETTER ENVIRONMENT FOR INVESTMENT

Value	Frequency	Percent	Valid Percent	Cum Percent
1	50	27.8	27.8	27.8
2	65	36.1	36.1	63.9
3	29	16.1	16.1	80.0
4	29	16.1	16.1	96.1
5	7	3.9	3.9	100.0
Total	180	100.0	100.0	

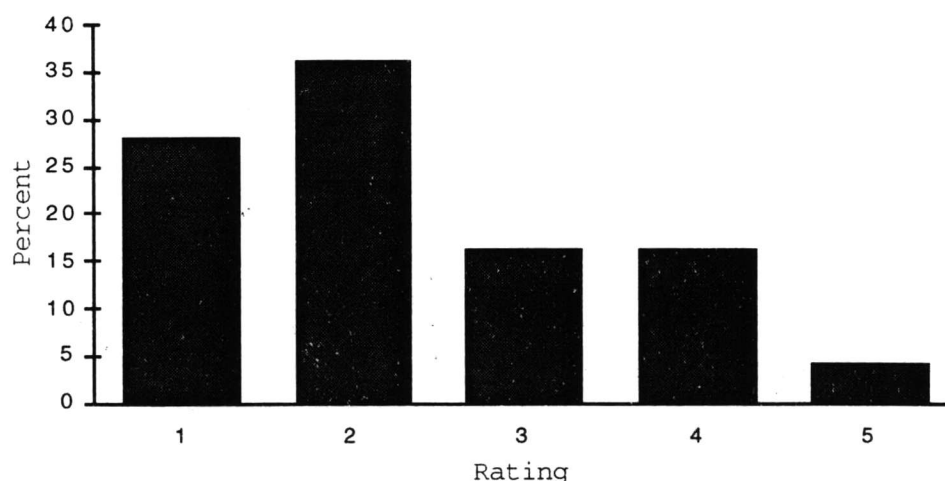


Fig. 13. Creates a better environment for investment.

Q14. Privatization eases the financial difficulties facing the public sector in Jordan.

As shown in Table 18, the frequency of responses to this question was $(38+66)=104$, which indicates that 104 of the sample population responded positively to this question. The cumulative percent to this response was $(21.1\%+36.7\%)=57.8\%$.

TABLE 18

EASES FINANCIAL DIFFICULTIES FACING THE PUBLIC SECTOR

Value	Frequency	Percent	Valid Percent	Cum Percent
1	38	21.1	21.1	21.1
2	66	36.7	36.7	57.8
3	47	26.1	26.1	83.9
4	21	11.7	11.7	95.6
5	8	4.4	4.4	100.0
Total	180	100.0	100.0	

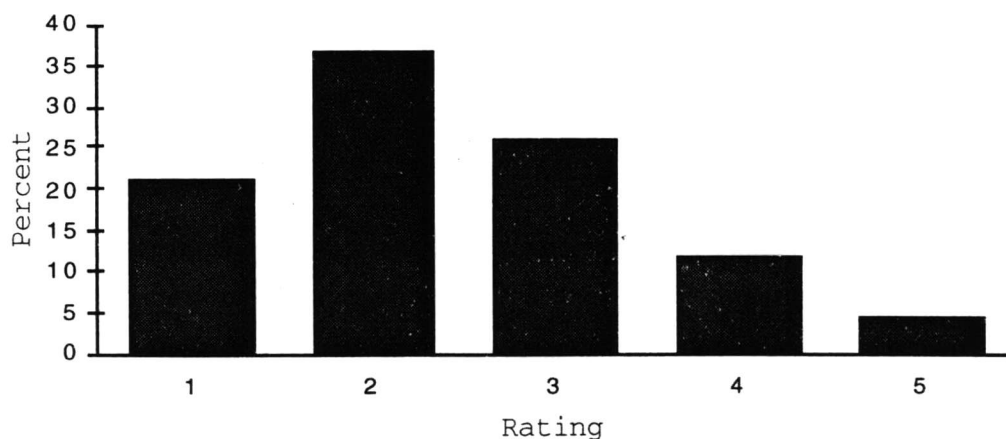


Figure 14. Eases financial difficulties facing public sector.

**Q15. Privatization reduces the budget deficit
that Jordan is suffering from.**

As shown in Table 19, the response to this question indicates the sample population did not believe that privatization would reduce the budget deficit. The frequency of responses was $(28+57)=85$ and the cumulative percent to this response was $(15.6\%+31.7\%)=47.2\%$.

TABLE 19
REDUCES THE BUDGET DEFICIT

Value	Frequency	Percent	Valid Percent	Cum Percent
1	28	15.6	15.6	15.6
2	57	31.7	31.7	47.2
3	49	27.2	27.2	74.4
4	34	18.9	18.9	93.3
5	12	6.7	6.7	100.0
Total	180	100.0	100.0	

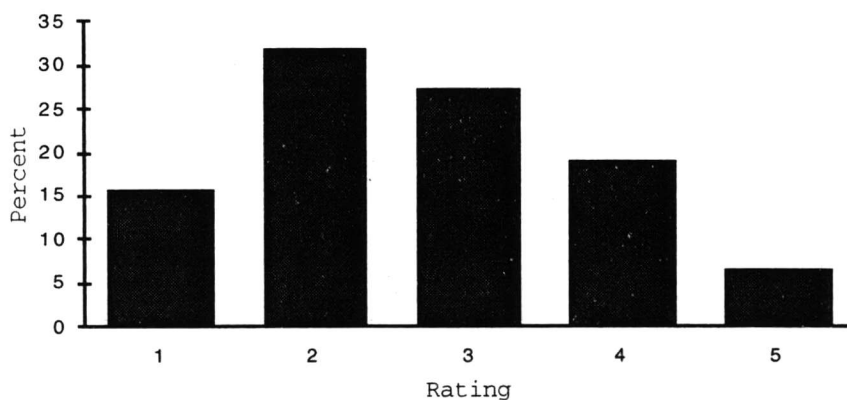


Figure 15. Reduces the budget deficit.

Q16. Privatization would relieve Jordan's public sector from the financial burdens of subsidization.

As shown in Table 20, the response to this question indicates that the sample population did not indicate strong support. The frequency response was $(32+56)=88$ and the cumulative percent to this response was $(17.8\%+31.1\%)=48.9\%$.

TABLE 20
RELIEVES PUBLIC SECTOR FROM SUBSIDIZATION

Value	Frequency	Percent	Valid Percent	Cum Percent
1	32	17.8	17.8	17.8
2	56	31.1	31.1	48.9
3	47	26.1	26.1	75.0
4	36	20.0	20.0	95.0
5	9	5.0	5.0	100.0
Total	180	100.0	100.0	

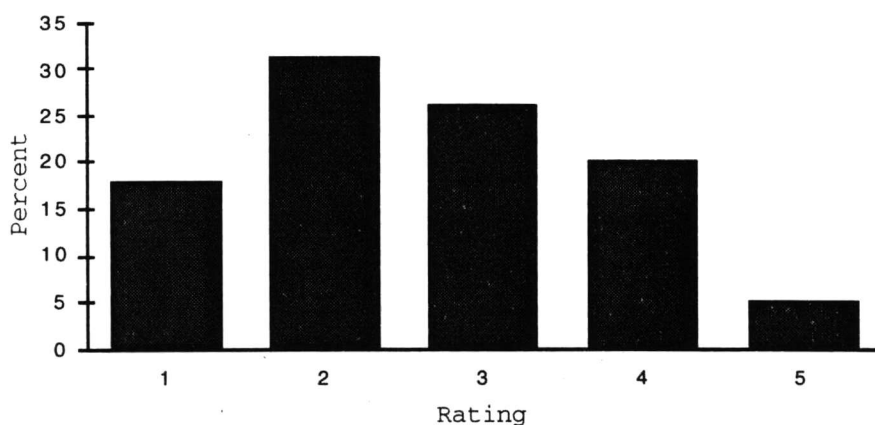


Figure 16. Relieves public sector from subsidization.

Q17. Privatization would decrease, or at least limit, Jordan's public sector's expenditures on its operations.

As shown in Table 21, the frequency of responses to this question was $(31+71)=102$ and the cumulative percent to this response was $(17.2\%+39.2\%)=56.7\%$. This indicates that the sample population did not agree with the suggestion.

TABLE 21

DECREASES/LIMITS PUBLIC SECTOR OPERATION EXPENDITURES

Value	Frequency	Percent	Valid Percent	Cum Percent
1	31	17.2	17.2	17.2
2	71	39.4	39.4	56.7
3	41	22.8	22.8	79.4
4	28	15.6	15.6	95.0
5	9	5.0	5.0	100.0
Total	180	100.0	100.0	

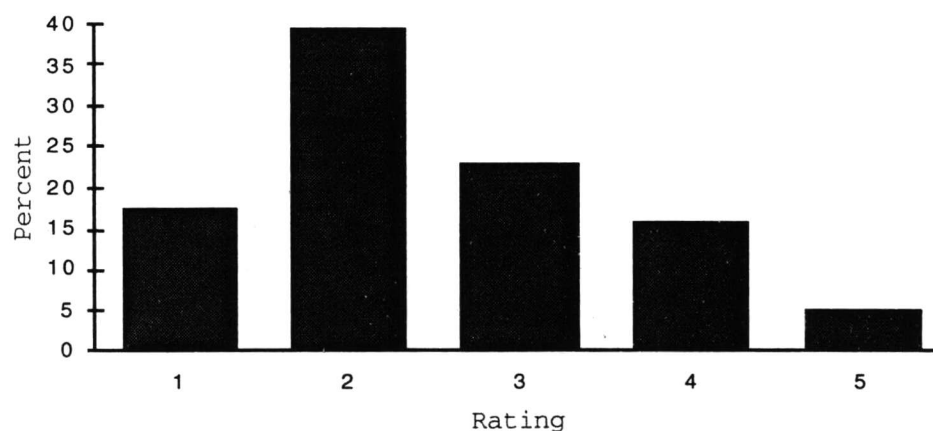


Fig. 17. Decreases/limits public sector operation expenditures.

Q18. Privatization would improve the quality of goods and services available to Jordan's public.

As shown in Table 22, the frequency of responses $(55+84)=139$ and the cumulative response $(30.6\%+46.7\%)=77.2\%$ show a significant positive response to this notion.

TABLE 22

IMPROVES THE QUALITY OF PRIVATIZED GOODS AND SERVICES

Value	Frequency	Percent	Valid Percent	Cum Percent
1	55	30.6	30.6	30.6
2	84	46.7	46.7	77.2
3	31	17.2	17.2	94.4
4	5	2.8	2.8	97.2
5	5	2.8	2.8	100.0
Total	180	100.0	100.0	

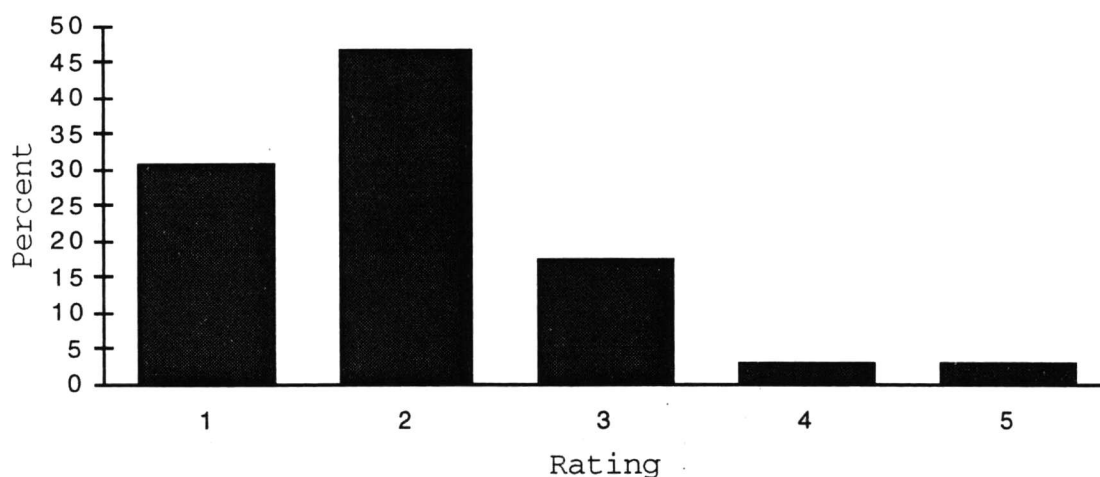


Fig. 18 Improves the quality of privatized goods and services.

Q19. Privatization may lead to the development of financial markets which would further funds for new projects.

As shown in Table 23, the frequency of responses was $(42+88)=130$ and the cumulative percent to this response was $(23.3\%+48.9\%)=72.2\%$, a significant response.

TABLE 23
LEADS TO THE DEVELOPMENT OF FINANCIAL MARKETS

Value	Frequency	Percent	Valid Percent	Cum Percent
1	42	23.3	23.3	23.3
2	88	48.9	48.9	72.2
3	22	12.2	12.2	84.4
4	24	13.3	13.3	97.8
5	4	2.2	2.2	100.0
Total	180	100.0	100.0	

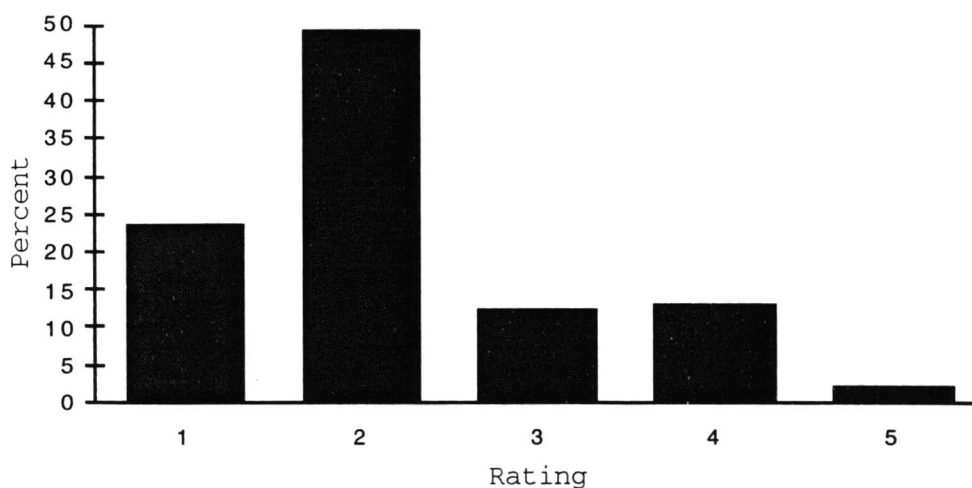


Fig. 19. Leads to the development of financial markets.

Q20. Privatization would lead to the development of competition in Jordan's markets.

As shown in Table 24, a low frequency of responses $(36+84)=120$ and low cumulative percent to this response $(20\%+46.7\%)=66.7\%$ indicate low value to this idea.

TABLE 24
LEADS TO DEVELOPMENT OF COMPETITIVE MARKETS

Value	Frequency	Percent	Valid Percent	Cum Percent
1	36	20.0	20.0	20.0
2	84	46.7	46.7	66.7
3	22	12.2	12.2	78.9
4	30	16.7	16.7	95.6
5	8	4.4	4.4	100.0
Total	180	100.0	100.0	

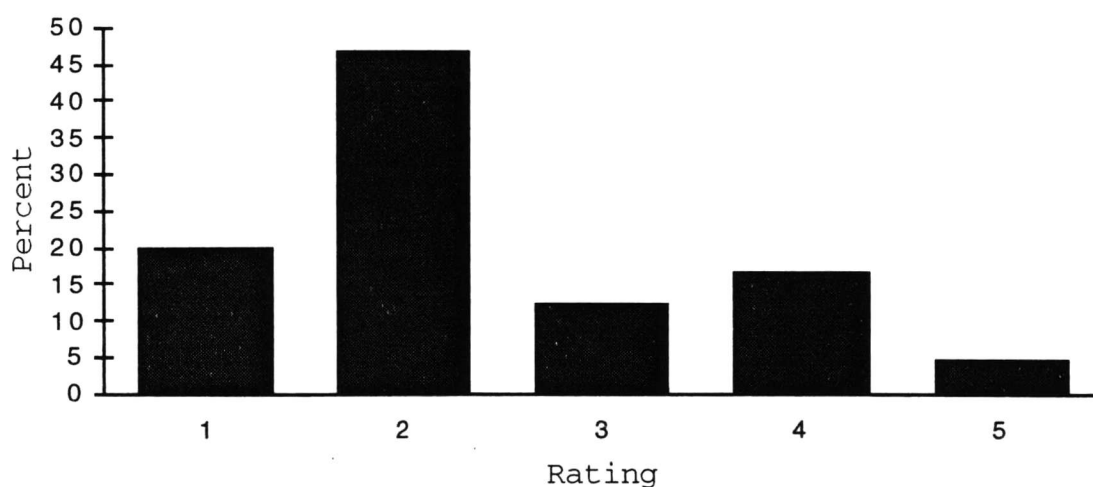


Fig. 20. Leads to development of competitive markets.

Q21. Privatization would result in lowering the prices of goods and services available to Jordan's public.

As shown in Table 25, the sample population hold a significant value in response to this question. The frequency of responses was $(51+87)=138$ and the cumulative percent was $(28.3\%+48.3\%)=76.7\%$.

TABLE 25
RESULTS IN LOWERING PRICES OF GOODS AND SERVICES

Value	Frequency	Percent	Valid Percent	Cum Percent
1	51	28.3	28.3	28.3
2	87	48.3	48.3	76.7
3	29	16.1	16.1	92.8
4	11	6.1	6.1	98.9
5	2	1.1	1.1	100.0
Total	180	100.0	100.0	

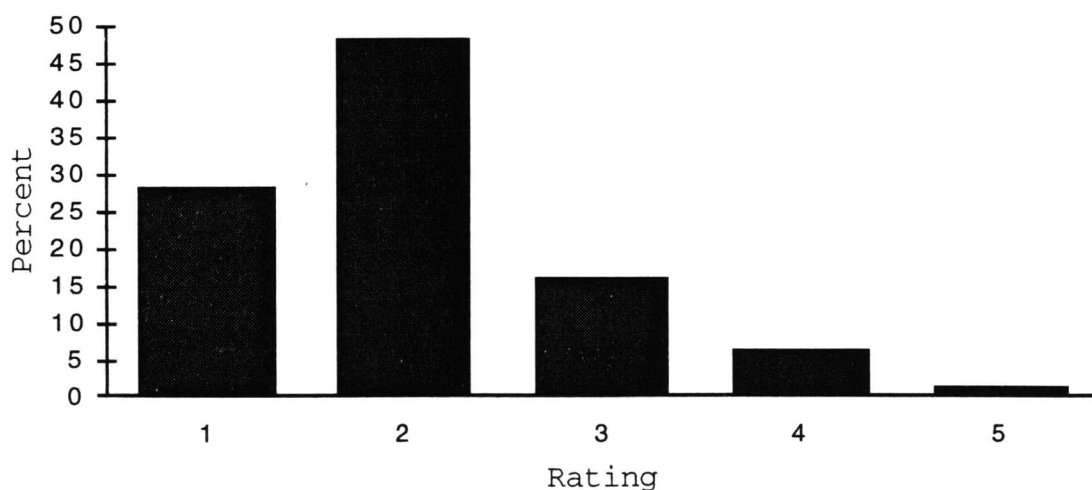


Fig. 21. Results in lowering prices of goods and services.

Q22. Privatization would improve Jordan's private sector's ability to compete in outside markets as a result of lower production cost.

As shown in Table 26, the sample population shows a low positive response to this question. The frequency of responses was $(36+76)=112$ and the cumulative percent was $(20\%+42.2\%)=62.2\%$.

TABLE 26
IMPROVES ABILITY TO COMPETE IN OPEN MARKETS

Value	Frequency	Percent	Valid Percent	Cum Percent
1	36	20.0	20.0	20.0
2	76	42.2	42.2	62.2
3	32	17.8	17.8	80.0
4	30	16.7	16.7	96.7
5	6	3.3	3.3	100.0
Total	180	100.0	100.0	

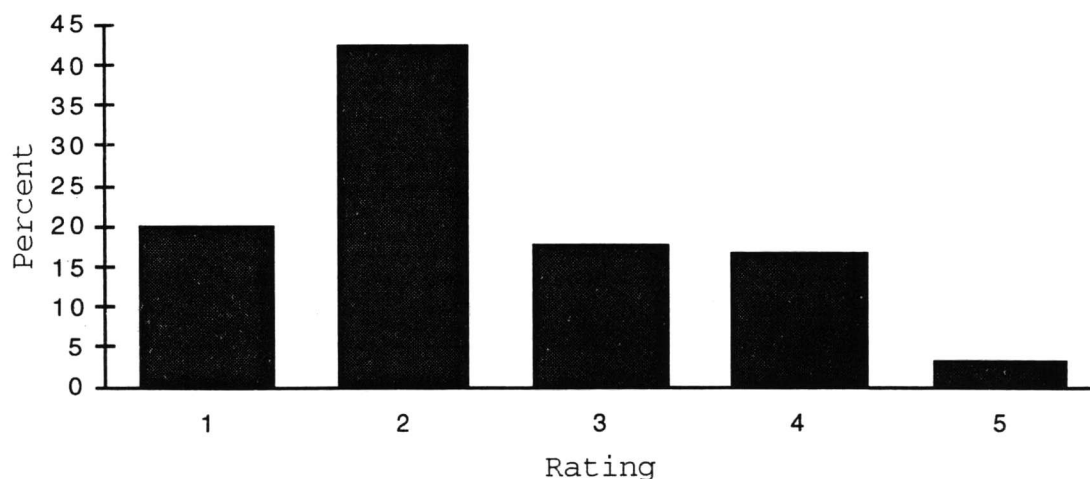


Fig. 22. Improves ability to compete in open markets.

Q23. Privatization would improve the competitiveness of Jordan's local products in outside markets.

As shown in Table 27, the frequency of responses to this question was $(30+102)=132$ and the cumulative percent was $(16.7\%+56.7\%)=73.3\%$. This response shows that the sample population significantly agreed with the suggestions.

TABLE 27
IMPROVES COMPETITIVENESS OF LOCAL PRODUCTS

Value	Frequency	Percent	Valid Percent	Cum Percent
1	55	30.6	30.6	30.6
2	84	46.7	46.7	77.2
3	31	17.2	17.2	94.4
4	5	2.8	2.8	97.2
5	5	2.8	2.8	100.0
Total	180	100.0	100.0	

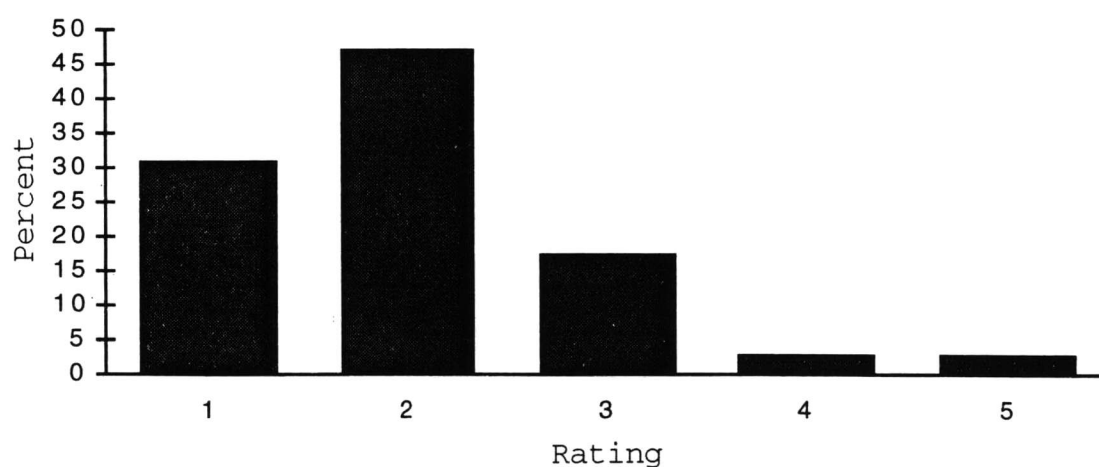


Fig. 23. Improves competitiveness of local products.

Q24. Privatization strengthens Jordan's local market.

As shown in Table 28, the response to this question indicates that the sample population does not strongly believe that privatization would strengthen the local market. The frequency of responses was $(23+102)=125$ and the cumulative percent was $(12.8\%+56.7\%)=69.4\%$.

TABLE 28
STRENGTHENS THE LOCAL MARKET

Value	Frequency	Percent	Valid Percent	Cum Percent
1	23	12.8	12.8	12.8
2	102	56.7	56.7	69.4
3	18	10.0	10.0	79.4
4	30	16.7	16.7	96.1
5	7	3.9	3.9	100.0
Total	180	100.0	100.0	

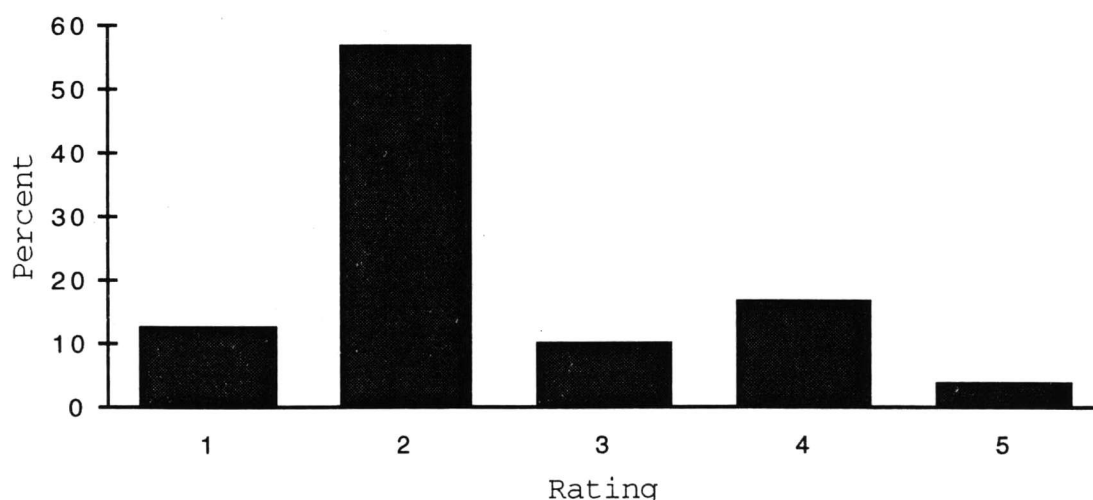


Fig. 24. Strengthens the local market.

Q25. Privatization draws foreign investment and capital to Jordan.

As shown in Table 29, the sample population agreed with the notion that privatization might draw foreign investment and capital. The total frequency of responses was (49+85)=134 and the cumulative response was (27.2%+27.2%)=74.4%.

TABLE 29
DRAWS FOREIGN INVESTMENT AND CAPITAL

Value	Frequency	Percent	Valid Percent	Cum Percent
1	49	27.2	27.2	27.2
2	85	47.2	47.2	74.4
3	29	16.1	16.1	90.6
4	13	7.2	7.2	97.8
5	4	2.2	2.2	100.0
Total	180	100.0	100.0	

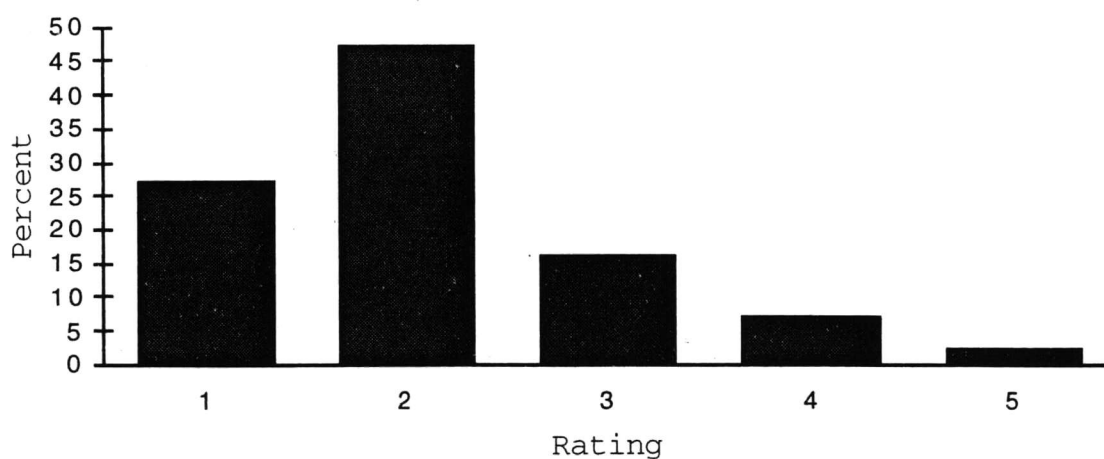


Fig. 25. Draws foreign investment and capital.

Q26. Privatization draws migrating investment and capital to Jordan.

As shown in Table 30, the sample population did not strongly agree that privatization would draw migrating investment and capital. The frequency of responses was $(40+81)=121$ and the cumulative percent was $(22.2\%+45\%)=67.2\%$.

TABLE 30
DRAWS MIGRATING INVESTMENT AND CAPITAL

Value	Frequency	Percent	Valid Percent	Cum Percent
1	40	22.2	22.2	22.2
2	81	45.0	45.0	67.2
3	30	16.7	16.7	83.9
4	24	13.3	13.3	97.2
5	5	2.8	2.8	100.0
Total	180	100.0	100.0	

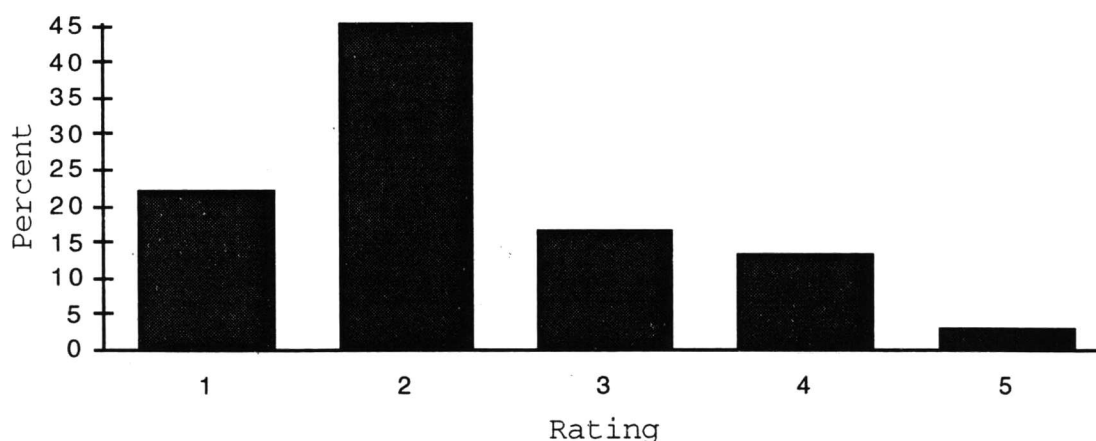


Fig. 26. Draws migrating investment and capital.

Q27. Privatization broadens the investment bases as a result of the availability of funds to Jordanian private entities.

As shown in Table 31, the positive response of the sample population is low compared to others. The frequency of responses was $(37+75)=112$ and the cumulative percent was $(20.6\%+41.7\%)=62.2\%$.

TABLE 31
BROADENS INVESTMENT BASES

Value	Frequency	Percent	Valid Percent	Cum Percent
1	37	20.6	20.6	20.6
2	75	41.7	41.7	62.2
3	41	22.8	22.8	85.0
4	23	12.8	12.8	97.8
5	4	2.2	2.2	100.0
Total	180	100.0	100.0	

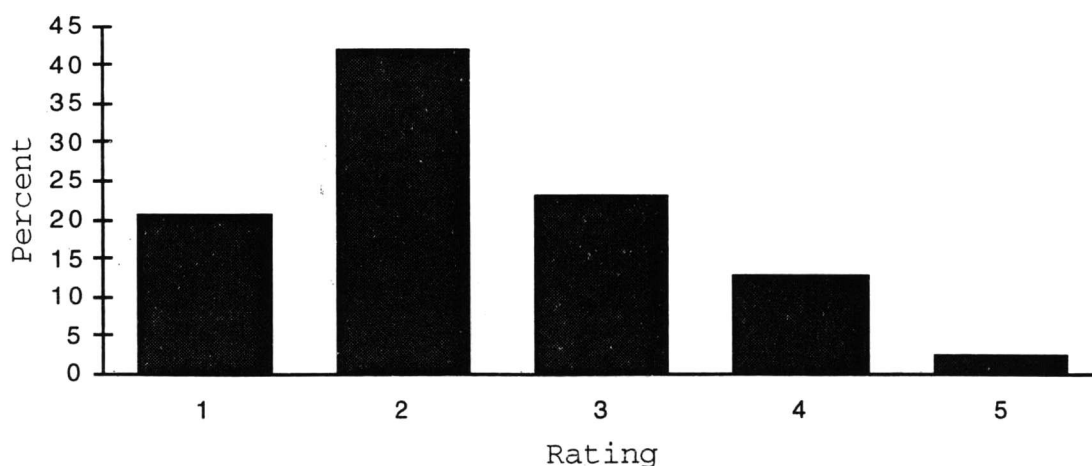


Fig. 27. Broadens investment bases.

Q28. Privatization improves the private sector's ability to manage large scale projects locally and internationally.

As shown in Table 32, the sample population significantly agrees with the suggestion. The frequency of responses was $(39+92)=131$ and the cumulative percent was $(21.7\%+51.1\%)=72.8\%$.

TABLE 32

IMPROVES ABILITY TO MANAGE LARGE SCALE PROJECTS

Value	Frequency	Percent	Valid Percent	Cum Percent
1	39	21.7	21.7	21.7
2	92	51.1	51.1	72.8
3	24	13.3	13.3	86.1
4	23	12.8	12.8	98.9
5	2	1.1	1.1	100.0
Total	180	100.0	100.0	

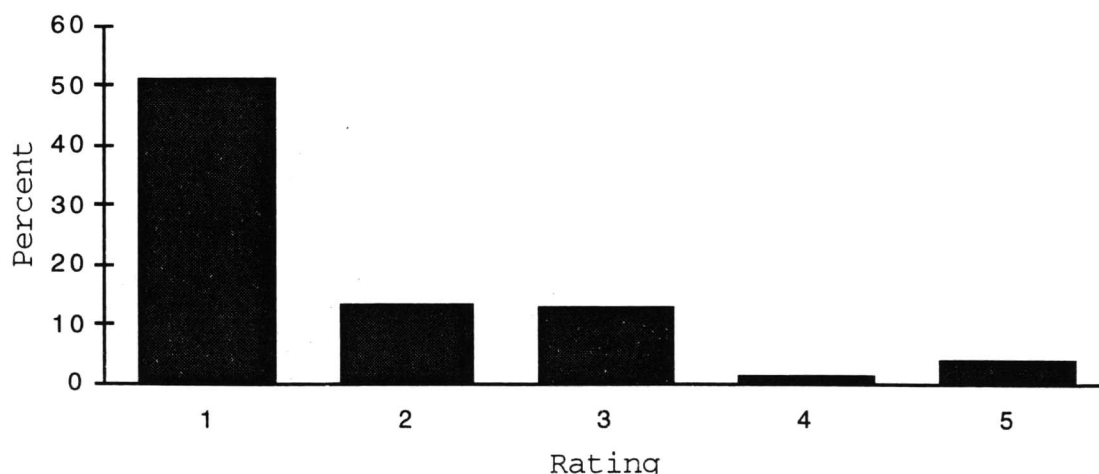


Fig. 28. Improves ability to manage large scale projects.

Q29. Privatization relieves the private sector from the rules and regulations of the public sector imposed by Jordan's government.

As shown in Table 33, the sample population significantly agrees that privatization might relieve the private sector from the rules and regulations of the public sector. The frequency of response was $(49+87)=136$ and the cumulative percent was $(27.2\%+48.3\%)=75.6\%$.

TABLE 33

RELIEVES PRIVATE SECTOR FROM RULES AND REGULATIONS
OF THE PUBLIC SECTOR

Value	Frequency	Percent	Valid Percent	Cum Percent
1	49	27.2	27.2	27.2
2	87	48.3	48.3	75.6
3	33	18.3	18.3	93.9
4	9	5.0	5.0	98.9
5	2	1.1	1.1	100.0
Total	180	100.0	100.0	

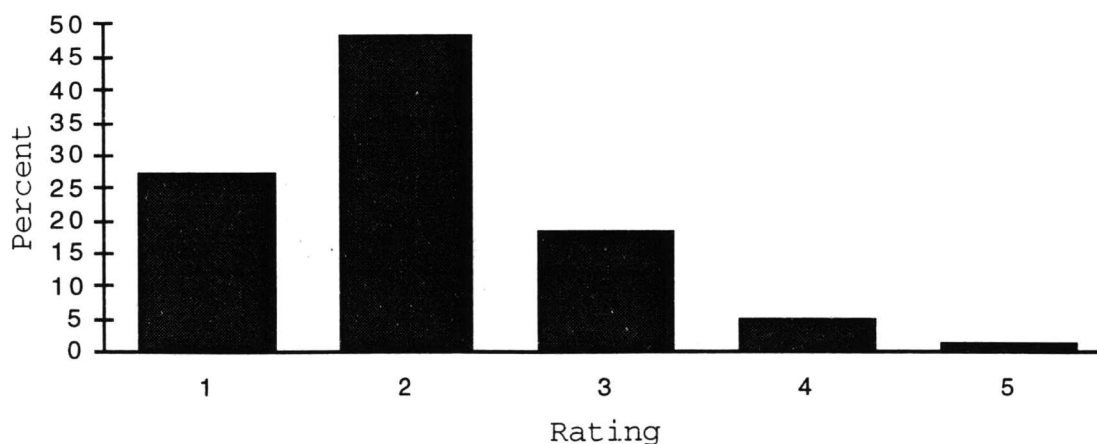


Fig. 29. Relieves private sector from rules and regulations of the public sector.

Q30. Privatization helps satisfy the need for technically qualified personnel in Jordan.

As shown in Table 34, the sample population responses show that they place a high value on privatization to help satisfy the need for technically qualified personnel. The frequency of responses was $(55+91)=146$ and the cumulative percent was $(30.6\%+50.6\%) = 81.1\%$.

TABLE 34

HELPS SATISFY NEED FOR TECHNICALLY QUALIFIED PERSONNEL

Value	Frequency	Percent	Valid Percent	Cum Percent
1	55	30.6	30.6	30.6
2	91	50.6	50.6	81.1
3	24	13.3	13.3	94.4
4	10	5.6	5.6	100.0
Total	180	100.0	100.0	

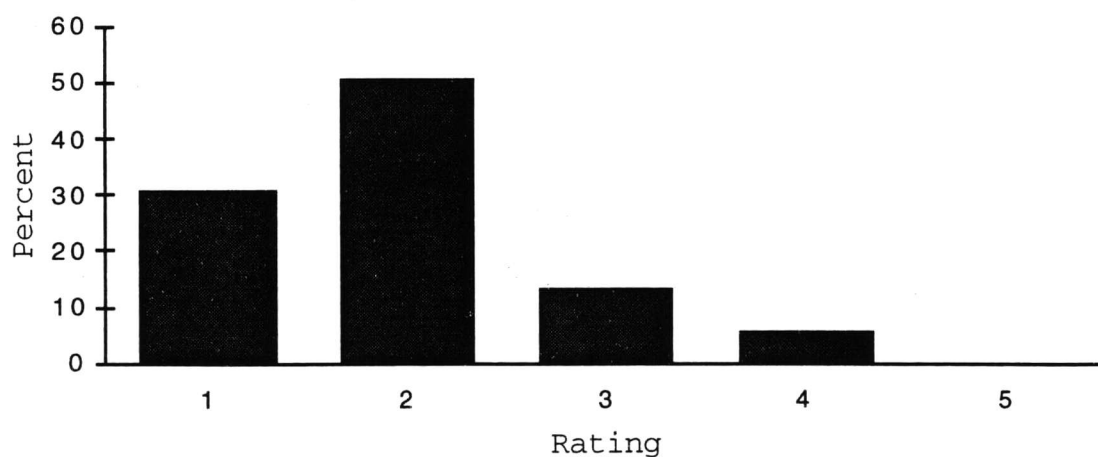


Fig. 30. Helps satisfy need for technically qualified personnel.

Q31. Privatization allows Jordan's government a greater time to deal with other problems in society.

As shown in Table 35, the response to this question shows a significant value. The frequency of responses was $(65+81)=146$ and the cumulative percent was $(36.1\%+45.0\%)=81.1\%$.

TABLE 35

ALLOWS GOVERNMENT MORE TIME TO DEAL WITH OTHER PROBLEMS

Value	Frequency	Percent	Valid Percent	Cum Percent
1	65	36.1	36.1	36.1
2	81	45.0	45.0	81.1
3	29	16.1	16.1	97.2
4	3	1.7	1.7	98.9
5	2	1.1	1.1	100.0
Total	180	100.0	100.0	

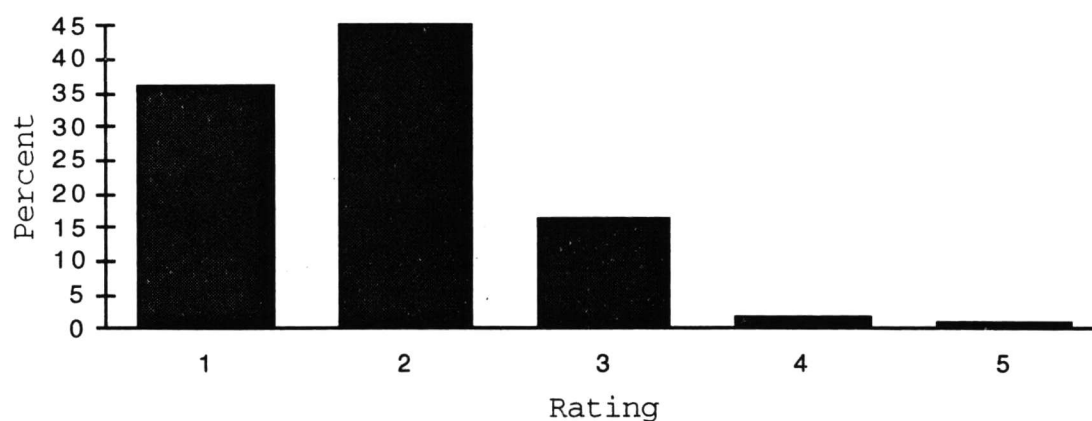


Fig. 31. Allows government more time to deal with other problems.

Q32. Privatization would relieve Jordan's government from pressures exerted by some foreign governments and international organizations and agencies.

As shown in Table 36, the sample population shows a significant value of response. The frequency of responses was $(54+84)=138$ and the cumulative percent was $(30.0\%+46.7\%)=76.7\%$.

TABLE 36
RELIEVES GOVERNMENT FROM FOREIGN PRESSURES

Value	Frequency	Percent	Valid Percent	Cum Percent
1	54	30.0	30.0	30.0
2	84	46.7	46.7	76.7
3	38	21.1	21.1	97.8
4	1	.6	.6	98.3
5	3	1.7	1.7	100.0
Total	180	100.0	100.0	

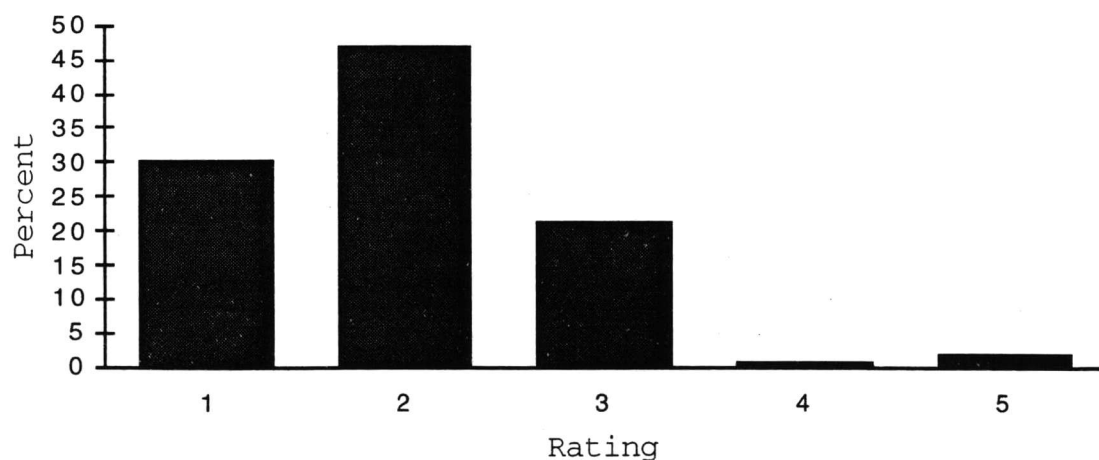


Fig. 32. Relieves government from foreign pressures.

Q33. Privatization promotes broad-based sharing-holdings in Jordan's society and thus would be a bulwark against social disorder.

As shown in Table 37, the sample population agrees with the suggestion. The frequency of responses was $(39+77)=116$ and the cumulative percent was $(21.7\%+42.8\%) = 64.4\%$.

TABLE 37

PROMOTES BROAD-BASED SHARING HOLDINGS IN SOCIETY

Value	Frequency	Percent	Valid Percent	Cum Percent
1	39	21.7	21.7	21.7
2	77	42.8	42.8	64.4
3	36	20.0	20.0	84.4
4	19	10.6	10.6	95.0
5	9	5.0	5.0	100.0
Total	180	100.0	100.0	

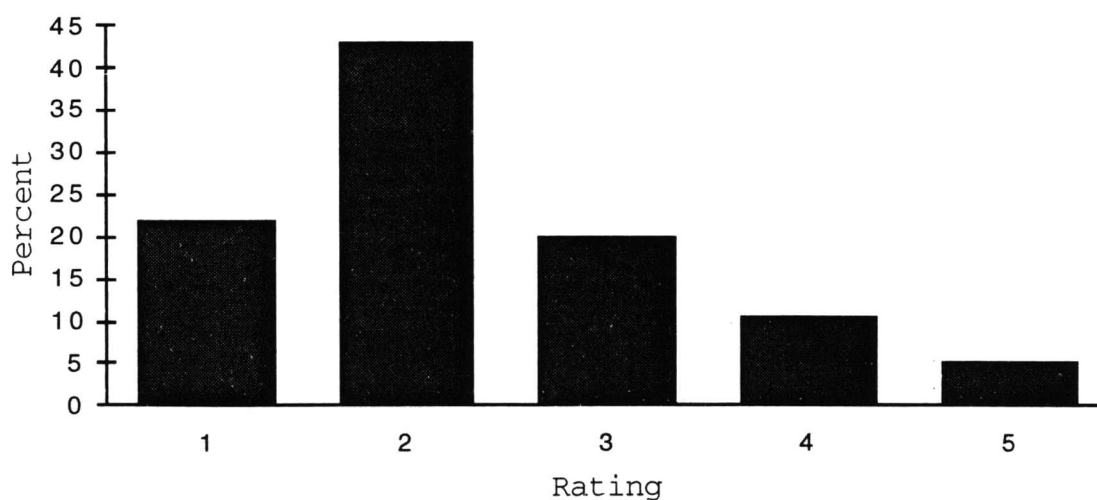


Fig. 33. Promotes broad-based sharing holdings in society.

Throughout the analysis, it seems that the total frequency responses and the cumulative percents to these responses represent the number of respondents who fall in the same category, whether it is strongly agree and agree, or strongly disagree and disagree. This helped to identify the factors that might shape the respondents' attitudes toward the subject.

*Factors That Influenced the Opinion of Governmental
Department Heads Toward Privatization*

In response to each question in the survey, which was frequently distributed, the study's sample does indeed reveal an opinion toward the subject matter. The overall response of the study's sample shows a positive attitude toward the privatization movement in Jordan.

The total frequency distribution response and the cumulative percent of the frequency underlined the most significant factors in response to categories 1 and 2, where 1 means strongly agree and 2 means agree. These are Questions 1, 2, 3, 5, 6, 7, 18, 19, 21, 23, 25, 28, 29, 30, 31, and 32.

1. In order to stir economic growth in Jordan there is a need to reduce or at least limit the growth of the public sector.
2. Jordan's public holds negative perceptions of the bureaucracy.

3. Jordan's public is dissatisfied with the performance of the government's public sector.
4. In general private companies are better managed than state owned enterprises (SOEs).
5. Decision-making in the public sector is less flexible than that of the private sector.
6. The private sector is better suited to make difficult decisions.
7. Privatization would improve the quality of goods and services available to Jordan's public.
8. Privatization may lead to the development of financial markets which would further funds for new projects.
9. Privatization would result in lowering the prices of goods and services available to Jordan's public.
10. Privatization would improve the competitiveness of Jordan's local products in outside open market.
11. Privatization draws foreign investment and capital to Jordan.
12. Privatization improves the private sector's ability to manage large scale projects locally and internationally.
13. Privatization relieves the private sector from the rules and regulations of the public sector imposed by Jordan's government.

14. Privatization helps satisfy the need for technically qualified personnel in Jordan.
15. Privatization allows Jordan's government a greater time to deal with other problems in the society.
16. Privatization would relieve Jordan's government from pressures exerted by some foreign governments and inter-national organizations and agencies.

Table 40 shows the total frequency to categories 1 and 2 and the cumulative percent to this frequency. The importance of these factors (see Table 38) to the study sample were indeed motivated by the fact that most of the respondents believe that there is a need to improve the economy by all means. Actually, the importance of these factors comes from the fact that they are the driving force behind the attitudes toward privatization in Jordan.

- The first factor *in order to stir economic growth in Jordan the need to reduce or at least limit the growth of the public sector*, indicates that privatization is expected to reduce the growth of the public sector. This may decrease government expenditure, which in the end will reduce budget deficits.

- The second factor, *Jordan's public holds negative perceptions of the bureaucracy*, indicates the dissatisfaction with government rules and regulations.

The third factor, *Jordan's public is dissatisfied with the performance of the public sector*, indicates the

dissatisfaction of the public with government performance, the lack of efficiency and effectiveness of the public sector.

TABLE 38
FREQUENCY AND CUMULATIVE PERCENT TO CATEGORIES 1 AND 2

List of Factors	Total Frequency 1 & 2	Cum. % Category 1 & 2
1. In order to stir economic growth in Jordan there is a need to reduce or at least limit the growth of the public sector.	138	76.7%
2. Jordan's public holds negative perceptions of the bureaucracy.	159	88.3%
3. Jordan's public is dissatisfied with the performance of the government's public sector.	139	77.2%
4. In general private companies are better managed than state owned enterprises (SOEs).	166	92.2%
5. Decision-making in the public sector is less flexible than that of the private sector.	162	84.4%
6. The private sector is better suited to make difficult decisions.	127	70.6%
7. Privatization would improve the quality of goods and services available to Jordan's public.	139	77.2%
8. Privatization may lead to the development of financial markets which would further funds for new projects.	130	72.2%
9. Privatization would result in lowering the prices goods and services available to Jordan's public.	138	76.7%
10. Privatization would improve the competitiveness of local products in outside open market.	132	73.3%
11. Privatization would improve the competitiveness of local products in outside open market.	134	74.4%
12. Privatization draws foreign investment and capital to Jordan.	131	72.8%
13. Privatization improves the private sector's ability to manage large scale projects locally and internationally.	136	75.6%
14. Privatization relieves the private sector from the rules and regulations of the public sector imposed by Jordan's government.	146	81.1%
15. Privatization helps satisfy the need for technically qualified personnel in Jordan.	146	81.1%
16. Privatization allows Jordan's government a greater time to deal with other problems in the society.	138	76.7%
17. Privatization would relieve Jordan's government from pressures exerted by some foreign governments and international organizations and agencies.		

Note: Sample size 180.

- The fourth factor, *private companies are better managed than state-owned enterprises*, indicates that the public believes in the superiority of the private sector's managerial practices.

- Factors five and six, *decision-making in the private sector is more flexible and is better suited to make difficult decisions*, indicate the confidence of the public in the flexibility of the private sector in the decision-making process.

- Factor seven, *privatization improves the quality of goods and services*, indicates the general beliefs in the rule of composition in improving the quality of goods and services. Privatization will provide this kind of computation.

- Factor eight indicates that *privatization may lead to the development of financial markets* and that will make funds available for financing new projects.

- Factor nine, *privatization results in lowering the prices of goods and services available to Jordan's public*, supports the idea that through privatization, competition between the producers will reduce the price of goods and services.

- Factor ten also supported the argument that *privatization improves the competitiveness of Jordan's local products in open markets*.

- Factor eleven, *privatization draws foreign investment and capital to Jordan*, supported the argument that privatization will draw foreign investment and capital to Jordan.

- Factor twelve, *privatization improves the private sector's ability to manage large scale projects locally and internationally*, is true because the private sector is more efficient in managing large scale projects.

- Factor thirteen, *privatization will relieve the private sector from government rules and regulations*, is true through the development of the free market mechanism.

- Factor fourteen, *privatization helps satisfy the need for technically qualified personnel in Jordan*, supports that privatization is more qualified to provide technically experienced personnel than the public sector.

- Factor fifteen, *privatization allows Jordan's government greater time to deal with other problems in society*, supports the idea that by choosing privatization, the government will have more time to deal with other problems in the society.

- Factor sixteen, *privatization relieves Jordan's government from pressures exerted by some foreign governments and organizations*, supports that privatization relieves the government from foreign pressures and other international organizations. Support for economic development and foreign assistance will be much easier with

the adoption of privatization than with regular government programs.

These sixteen factors have been considered the most important factors which support the underlying assumption that privatization would provide a better solution to the problems facing efforts toward economic improvement. Privatization is expected to result in providing more efficient and effective ways to improve the image of the private sector and draw foreign investment to the Jordanian economy. The superiority of managerial practices in the private sector provide a more sufficient way for investment to strengthen the local economy. This will lead to the development of local markets which will in turn lead to a more productive economy. However, in order to achieve this, government intervention should be limited. Limiting the rule of government in the economy will limit the rule of the many agencies that have been conducting these responsibilities. The public is always unhappy with the government performance and its associated bureaucracy.

CHAPTER VI

CONCLUSION AND RECOMMENDATIONS

Conclusion

Privatization has been considered as one of the most important ways to solve the problems of economic growth and development in many countries around the world in general and in Third World countries in particular. Jordan is no exception here. In Jordan, the government provides all necessary means for the economic and social welfare of the country, with government spending as the primary source for funding all projects and programs. Many different plans have been adopted by the government, such as the three- and five-year plans, as tools and systematic ways to enhance the bases for the country's economy.

One of the latest policies that the government of Jordan has considered is to enhance and encourage the private sector to have a greater role in many aspects of the country's economy, where the public sector once predominated. Increasing efficiency and effectiveness in managing the wide range of growing economic and social needs were the primary motives of the government tilt toward the private sector. To achieve these goals, the government of

Jordan explored ways and methods to privatize some of its commercially oriented operations. This move toward the private sector is called privatization. The purpose of this study was to identify the factors that might influence the attitudes of those who are going to implement the government policy, the department heads.

The importance of whether or not those government department heads have any opinion toward the privatization movement in Jordan came from the fact that they are the ones who are going to implement this policy and the importance of their role in the implementation process will be a vital one. On the other hand, any government tilt toward such policy may or may not reflect the desire of those government department heads who are expected to implement the government policy. Therefore, identifying the factors that might influence the attitudes of these bureaucrats towards privatization may provide an important view regarding the role of those department heads in implementing the government policy and for the policy makers to be a tool of analysis to help the adoption of such policy to succeed and to provide the basis for future recommendations.

To identify these factors, a survey instrument comprised of 33 questions was distributed to 200 department heads in the public sector in Jordan. One hundred eighty completed surveys were received and analyzed. The results from the survey data analysis indicates that the study

sample does indeed hold a positive opinion toward the adoption of the privatization policy in Jordan. However, the most important factor that influenced such opinion was the general dissatisfaction of the study's sample with the performance of the government.

The tilt toward the private sector comes from the desire to avoid government bureaucracy and to limit its role in the economy. The government of Jordan expressed the need to increase the level of effectiveness, productivity and competitiveness of the local economy by relying more on the private sector. The policy makers believed that the private sector managerial practices are more relevant than those of the government. In addition, the attitudes of these bureaucrats have been influenced by the fact that they realized the importance of the private sector in providing more sufficient ways to help improve the economy. That was fully recognized by the response of the surveyed group to the statement: "private companies are better managed than state owned enterprises (SOEs)."

The cumulative percent of the sample population's response to this factor was 92.2%, indicating that those surveyed strongly agree that private sectors are more qualified to manage than public sectors. This represents a high significant level of influence upon the attitudes of the sample population towards privatization in general.

The second important factor introduced by the data analysis was the response to the statement: "Jordan's public holds negative perceptions of the bureaucracy." The cumulative percent of the surveyed group's response was 88.3%, indicating the public dissatisfaction with the government bureaucracy. This factor also shows a high significance level of influence upon the sample population's attitude toward government performance and the tilt toward privatization.

The importance of these two factors come from the fact that there was no doubt that the sample population held a favorable attitude towards privatization and dissatisfaction with the government performance, although the degree of importance of these factors vary. Among the list of sixteen factors that this study's responses produced, the desire to give the private sector more role and the need to reduce or limit the growth of the public sector, and the bureaucratic practices associated with it, represent the top of the list of those factors.

The other factors listed in the findings of this study hold a valuable degree of importance. They played a significant role in influencing the overall attitude of the sample population toward privatization in Jordan. Factor number five, decision-making in the private sector is more flexible than that of the public sector, for example, holds a positive response cumulated at 84.4% of the sample

population's response to the statement: "decision making in the private sector is more flexible than that of the public sector." This also shows a certain degree of influence upon the sample population's attitude toward the private sector.

Factor fourteen, privatization helps satisfy the need for technically qualified personnel in Jordan, and fifteen, privatization allows the government greater time to deal with other problems in the society, presented the support of the study's sample to the adoption of the privatization program in Jordan. They indicated that privatization will help satisfy the need for technically qualified personnel, and will allow the government greater time to deal with other problems in the society. This is true because the private sector levels of effectiveness, productivity and competitiveness in local economies will force them to provide highly qualified personnel in order to produce and compete. The cumulative percent response to this factor was 81.1%. This shows that this factor holds a significant degree of influence upon the sample population's attitude. For factor fifteen, "Privatization allows Jordan's government more time to deal with other problems in the society."

The sample population believes that with privatization the government may have more time to deal with other problems in the society. But the fact remains that the private sector's lack of experience in many Third World

countries might have a negative impact on its performance in these countries' economies. The readiness of the private sector to take over some of the government's commercially oriented enterprises and the role of those who are responsible for implementing the privatization programs are equally important as that of privatization itself.

For the country as a whole, privatization became an important step to enhance the economy. The government has undergone a major step to privatize some or most of its commercially oriented operation. This move toward privatization was accelerated with the increasing economic problems and the growing demand for more private participation in the country's economy. Throughout the past several years, the policy makers in Jordan considered granting a greater role of the private sector to undertake many of the country's economic activities.

Recommendations

Below are some recommendations for policy makers in Jordan to consider in order to have a comprehensive view for the new policy of privatization.

1. Policy makers in Jordan should realize the importance of the role of department heads in the public sector in privatization policy implementation. Positive attitudes toward privatization on the part of these people will increase the chances of the new policy's success.

2. The factors listed in previous chapters are an important step to be considered by Jordan's policy makers in order to provide a basis for implementing the privatization policy. This will help minimize the risk of a bad implementation of such a policy.

3. The government of Jordan should inform departments heads in the public sector of the advantages and disadvantages of any new policy. By knowing important facts about privatization, department heads in the public sector will have the chance to make an impact on the new policy and insure the implementation of this policy as their own. This sense of ownership will lead to a higher level of success for the new privatization policy.

4. Policy makers should involve the department heads of the public sector in any discussions regarding privatization because they see the department heads as the ones who will implement the new policy. Once the government can insure full participation and cooperation of the department heads from the public sector, then the policy makers will have more time to deal with other aspects of the new privatization policy.

Future Research

The focus of this study has been on the department heads' attitudes toward privatization policy in Jordan. Many

issues were raised that are beyond the scope of this study. These issues can be researched for future studies.

1. A study of the private sector in Jordan is needed to determine its ability to finance the privatization program.
2. Research is needed to study the impact of a privatization policy on the Jordanian citizens. Social and economic impacts are of extreme importance to the people of Jordan.
3. More research is needed to study the implementation of privatization policy in Jordan. Identifying the most effective ways to implement a privatization policy in Jordan is important to the success of privatization.
4. Research is needed to study if privatization is the only solution to the Jordanian economy or if there are other alternatives to privatization.

APPENDIX

QUESTIONNAIRE

Directions: The following is a list of factors that have been perceived to be instrumental in the decision to privatize by different governments around the world. The aim of this study is to identify the factors critical to the success of privatization in Jordan. You are asked to consider these factors and provide your response to those that best apply. To the right of each item, circle the response which most clearly reflects your opinion, upon privatization in Jordan.

Response key: SA = Strongly Agree
 A = Agree
 U = Undecided
 SD = Strongly Disagree
 D = Disagree

According to your opinion, Jordan needs to privatize because:

- | | | | | | |
|---|----|---|---|----|---|
| 1. In order to stir economic growth in Jordan, there is a need to reduce or at least limit the growth of the public sector. | SA | A | U | SD | D |
| 2. Jordan's public holds negative perceptions of the bureaucracy. | SA | A | U | SD | D |
| 3. Jordan's public is dissatisfied with the performance of the government's public sector. | SA | A | U | SD | D |
| 4. Jordan's public sector has nothing more to give to the private sector. | SA | A | U | SD | D |
| 5. In general, private companies are better managed than state owned enterprises (SOEs). | SA | A | U | SD | D |
| 6. Decision making in the public sector is less flexible than that of the private sector. | SA | A | U | SD | D |
| 7. The private sector in an economy is better suited to make difficult decisions. | SA | A | U | SD | D |

Questionnaire--Continued

8. Jordan's private companies are better financed through capital markets rather through the states' budgets.	SA	A	U	SD	D
9. Privatization in Jordan would increase the country's revenue.	SA	A	U	SD	D
10. An increase in Jordan's national revenue would lead to the lowering of taxes.	SA	A	U	SD	D
11. Privatization would increase public expenditure without the need to borrow.	SA	A	U	SD	D
12. Privatization would create more jobs in Jordan.	SA	A	U	SD	D
13. Privatization generates a better environment for investment in the country.	SA	A	U	SD	D
14. Privatization eases the financial difficulties facing the public sector in Jordan.	SA	A	U	SD	D
15. Privatization reduces the budget deficit that Jordan is suffering from.	SA	A	U	SD	D
16. Privatization would relieve Jordan's public sector from the financial burdens of subsidization.	SA	A	U	SD	D
17. Privatization would decrease, or at least limit, Jordan's public sector's expenditures on its operations.	SA	A	U	SD	D
18. Privatization would improve the quality of goods and services available to Jordan's public.	SA	A	U	SD	D
19. Privatization may lead to the development of financial markets which would further funds for new projects.	SA	A	U	SD	D
20. Privatization would lead to the development of competition in Jordan's markets.	SA	A	U	SD	D
21. Privatization would result in lowering the prices of goods and services available to Jordan's public.	SA	A	U	SD	D

Questionnaire--Continued

22. Privatization would improve Jordan's private sector's ability to compete in outside markets as a result of lower production costs.	SA	A	U	SD	D
23. Privatization would improve the competitiveness of Jordan's local products in outside open markets.	SA	A	U	SD	D
24. Privatization strengthens Jordan's local market.	SA	A	U	SD	D
25. Privatization draws foreign investment and capital to Jordan.	SA	A	U	SD	D
26. Privatization draws migrating investment and capital to Jordan.	SA	A	U	SD	D
27. Privatization broadens the investment base as a result of the availability of funds to Jordanian private entities.	SA	A	U	SD	D
28. Privatization improves the private sector's ability to manage large scale projects locally and internationally.	SA	A	U	SD	D
29. Privatization relieves the private sector from the rules and regulations of the public sector imposed by Jordan's government.	SA	A	U	SD	D
30. Privatization helps satisfy the need for technically qualified personnel in Jordan.	SA	A	U	SD	D
31. Privatization allows Jordan's government a greater time to deal with other problems in society.	SA	A	U	SD	D
32. Privatization would relieve Jordan's government from pressures exerted by some foreign governments and international organizations and agencies.	SA	A	U	SD	D
33. Privatization promotes broad-based sharing-holdings in Jordan's society and thus would be a bulwark against social disorder.	SA	A	U	SD	D

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